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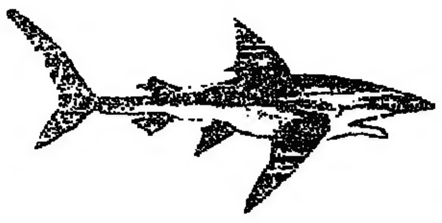

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FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper

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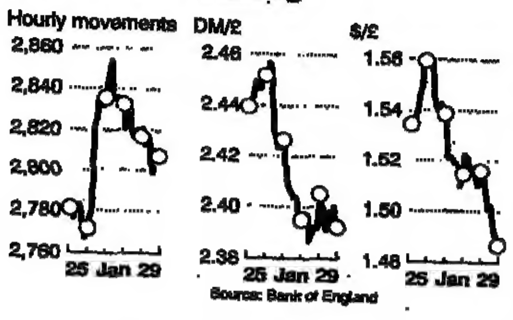
Sterling tumbles below $1.50 to hit six-year low



Source: Bank of England

Sterling fell below $1.50 yesterday to hit a six-year low against the dollar as international investors shied away from the pound in the wake of Tuesday's surprise 1-point bank base-rate cut. It also weakened against the D-Mark.

Equities soared after the rate cut as borrowing costs fell to their lowest level since 1977 before profit-taking and the prospect of rights issues pared gains. The FT-SE 100 dropped 9.7 to 2,807.2, but gained 26 over the week. **Currencies, Page 11; London stocks, Page 12; Editorial Comment, Page 6; Lex, Page 22; Markets, Weekend, Page II**

PM's export plea: John Major appealed to British business to seize the chance presented by the UK's low interest rate and inflation levels and make the most of export opportunities. **Page 22; Major's fresh theme, Page 4; Hat-trick for BAe, Page 7; Lex, Page 22**

Banks cut loan rates: Midland Bank and its telephone banking arm Firstdirect have cut savings rates by more than their mortgage rates in the wake of this week's 1-point base-rate cut. Together with Lloyds they did not pass on the full base-rate reduction to mortgage holders. **Page 22; Serious Money, Weekend FT, Page II**

Bosnia's last chance: Bosnia peace mediators Cyrus Vance and Lord Owen will ask the three warring Bosnian factions today for a final decision on an internationally-brokered peace plan. The Bosnian Moslems oppose many provisions. **Page 2; Croat dam threat, Page 2**

Homosexual ban eased: The US armed forces is to stop asking recruits their sexual orientation during a six-month policy review aimed at ending the 50-year military ban on homosexuals.

Uruguay Round delay: A Uruguay Round world trade pact cannot be completed before a US deadline for congressional acceptance runs out on March 1, Arthur Dunkel, chief of the General Agreement on Tariffs and Trade, said. **World economic forum reports, Page 2; Japan penalises China, Page 22**

Mobile phone scare: US cellular phone company shares have sunk this week because of uncorroborated claims linking use of the mobile phones to brain cancer. **Page 10**

Public investment to drop: Public-sector investment is set to fall in real terms in the 1993-94 financial year despite government pledges to protect capital spending. **Page 5**

Japanese paper merger: Oji Paper, Japan's biggest paper company, and Kanzaki Paper, the fifth-largest, are to merge in one of Japan's largest industrial deals creating a group with a market capitalisation of about Y630bn (£3.4bn). **Page 10**

Moskvich shuts: The Moskvich car plant, one of the giants of Russian industry, has shut because of a shortage of parts and funds. **Page 2**

Xerox announced strong fourth-quarter growth in its document-processing business while reporting a $1bn (£600m) net loss for 1992. **Page 10**

Soccer club survives: A winding-up order against Hartlepool United Football Club, which faced a demand for payment of £263,607 debts, was rescinded by a High Court judge.

War warning for South Africa: President F.W. de Klerk said "devastating war" would erupt in South Africa if talks on a post-apartheid constitution failed. **Page 3**

Chess cheque: Nigel Short will be closer to becoming Britain's first chess millionaire when he faces Dutch champion Jan Timman today. Short, 7-5 ahead in their 14-game series, needs a draw to challenge Russian Garry Kasparov for the world title. **Page 5**

STOCK MARKET INDICES

FT-SE 100:	2,807.2	(−9.7)
Yield	4.35	
FT-SE Eurotrack 100	1,079.18	(+6.48)
FT-A All-Share	1,364.33	(−0.3)
Nikkei	17,823.78	(−39.63)
New York lunchtime:		
Dow Jones Ind Ave	3,302.73	(−3.52)
S&P Composite	437.20	(−1.46)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	2.962%
Long Bond	104$\frac{27}{32}$
Yield	7.221%

LONDON MONEY

3-mo Interbank	6$\frac{3}{8}$%	(6$\frac{5}{16}$%)
Liffe long gilt future:	Mar 101$\frac{21}{32}$	(Mar 101$\frac{7}{8}$)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$18.475	(same)

Gold

New York Comex (Apr)	$330.7	(330.5)
London	$330.35	(330.15)

STERLING

New York lunchtime:		
$	1.4855	
London:		
$	1.487	(1.5165)
DM	2.3925	(2.405)
FFr	8.0975	(8.1425)
SFr	2.21	(2.215)
Y	185.5	(188.25)
£ Index	78.2	(78.5)

DOLLAR

New York lunchtime:		
DM	1.6115	
FFr	5.4535	
SFr	1.488	
Y	125.085	
London:		
DM	1.609	(1.5855)
FFr	5.445	(5.37)
SFr	1.4855	(1.461)
Y	124.8	(124.2)
$ Index	66.5	(65.8)

Tokyo close Y 124.3

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France sends troops to Zaire after army mutiny

By Julian Ozanne in Nairobi

MUTINOUS TROOPS rampaged through Kinshasa for the second day running yesterday as French paratroops entered Zaire from neighbouring Congo to help evacuate French nationals.

The streets of Kinshasa were strewn with corpses after elite troops loyal to President Mobutu Sese Seko, using heavy weapons and grenades, continued to hunt mutineers and civilian looters.

Mr Willy Claes, Belgian foreign minister, said the situation was deteriorating and there appeared to be a "confrontation in the heart of the army" and growing signs of tribal warfare among civilians which had caused widespread public panic.

The explosion of violence for a third time in 17 months in Zaire's capital brought black Africa's second largest country closer to economic collapse and a civil war which could spill over into neighbouring states, including Angola, Zambia and Uganda.

Earlier yesterday Mr Pierre Joxe, the French foreign minister, accused Zairean troops of deliberately killing the French ambassador, Mr Philippe Bernard, 61, on Thursday evening. "It was not a stray bullet as the first agency reports said," he added.

Diplomats said more than 100 French civilians were believed to have taken refuge in the French Embassy residence, near the Congo River, which divides Zaire from Congo. Belgium said it was also sending troops in to evacuate its 3,000 nationals.

The Brussels office of the international medical charity Médecins sans Frontières (MSF) said its workers in Kinshasa reported "many deaths" and saw streets in some areas "scattered with bodies", most of them in uniform.

There was no official death toll from the worst rioting in Zaire since September 1991 when at least 250 people were killed in an army mutiny. However, MSF said it knew of 45 dead and 131 wounded in Kinshasa.

Soldiers firing automatic weapons randomly have gutted downtown shops and homes, plundered supermarkets, hijacked cars and stolen money from civilians at gunpoint. Terrified civilians stayed at home while some wealthy Zaireans were trying to flee the country in private aircraft and across the Zaire River.

Troops loyal to President Mobutu, who has ruled Zaire since he seized power in a CIA-backed military coup in 1965, fought fierce street battles with grenades and armoured vehicles to put down the mutiny.

The army's Kokolo camp in Kinshasa, where the infantry-led mutiny began, was completely encircled by loyal troops yesterday, as was the office of reformist Prime Minister Etienne Tshisekedi. No word has been heard from Mr Tshisekedi or his key ministers since Thursday.

Violence erupted among soldiers after the introduction of 5m-zaire banknotes. The notes, issued by the pro-Mobutu Central Bank to settle a two-month payroll for the military and civil service, are almost worthless.

Anarchy threatens region, Page 3

Clinton promotes early US recovery plan to boost jobs

By Michael Prowse in Washington

THE CLINTON administration indicated yesterday that it wanted to press ahead with an immediate recovery package because the economic turnround had failed to feed through to the jobs market.

A White House spokeswoman said President Bill Clinton remained concerned that this was "a recovery without job growth".

Fresh evidence of accelerating growth in the US emerged yesterday, with a surge in new orders for US durable goods, up 9.1 per cent between November and December, according to the Commerce Department.

The administration welcomed the figures but indicated that it intended to press ahead with an early stimulus package.

Mr Leon Panetta, the budget director, said he saw "continuing weakness" in the economy that would justify a short-term stimulus to create jobs "between now and the summer".

"We do not want another double dip," he said. President Clinton is at Camp David this weekend to discuss strategy with cabinet officials and senior advisers.

The administration seems likely to press for quick congressional approval of a modest stimulus package based on increased public works spending and an extension of unemployment benefits. The spending might be financed with about $20bn in uncommitted funds for the current financial year.

A long-term deficit-cutting package and tax incentives to spur investment may be postponed until mid-summer or later.

President Clinton has never laid out a precise timetable for his economic strategy. But financial markets had expected him to enact a deficit-cutting plan at the same time as he unveiled a short-term stimulus.

The surge in durable goods orders was one of the largest on record and well above Wall Street projections of a rise of about 3 per cent. Durable goods orders rose 4.1 per cent in 1992 as a whole and are now at their highest level since the end of 1988.

Separate figures showed a 1 per cent increase in personal disposable incomes between November and December. However, officials pointed out that this partly reflected special factors including large bonuses in the securities industry to avoid higher taxes under the new administration.

Excluding special factors, personal incomes rose about 0.3 per cent after a 0.5 per cent increase in November.

The surge in orders was led by an extraordinary 21 per cent increase in orders for transport equipment and thus probably overstated the economy's underlying strength. However, economists noted that the recovery of orders was broadly-based with every industrial sector registering handsome gains. Excluding transport, orders were up 5.5 per cent last month.

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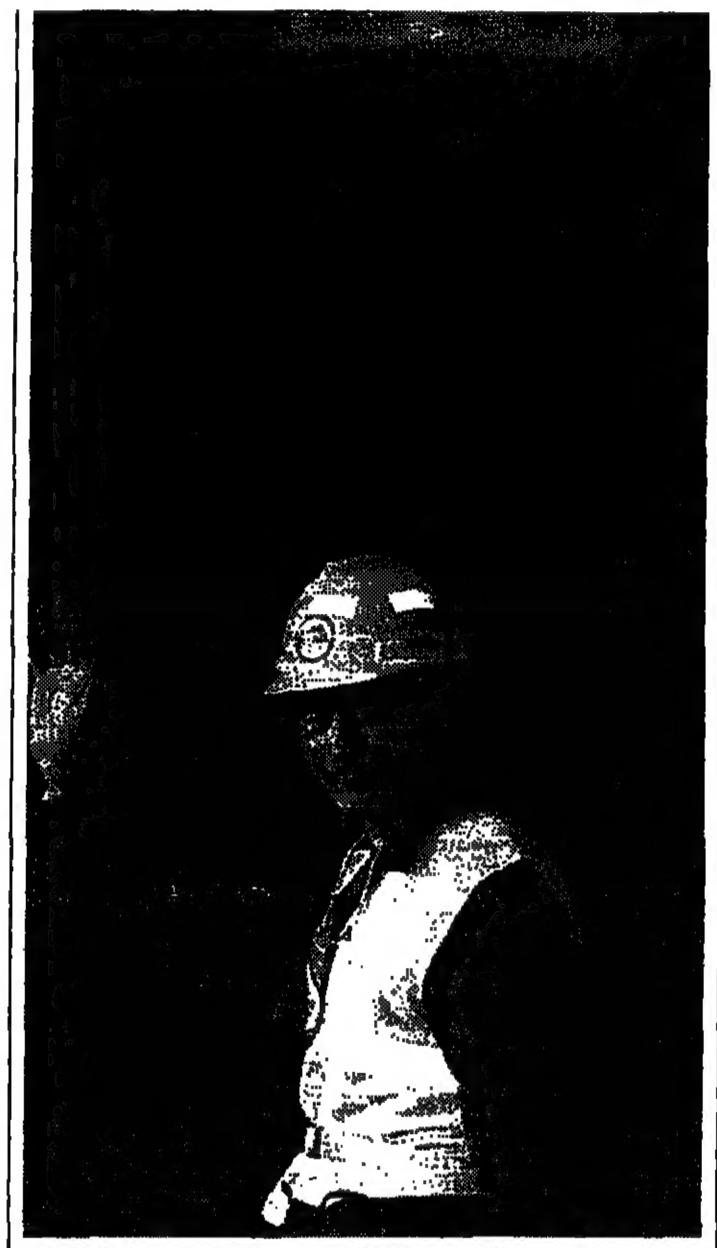

Work station: the UK's new ambassador to France at the Dover entrance of the Channel tunnel yesterday, about to become the first British envoy to travel to an overseas post without leaving solid ground. Sir Christopher Mallaby travelled on a cramped and grimy works train through the 30-mile long unfinished tunnel in 3hr 40min

MPs seek boost in market to save mines at risk

By David Owen and Alison Smith

THE GOVERNMENT last night faced a delicate political balancing act after a cross-party committee of MPs recommended measures to secure the future of more than half the 31 threatened coal pits.

The trade and industry select committee's proposals would increase the annual market for deep-mined British coal by 16m tonnes or more for five years at a cost of about £500m.

This would be achieved mainly by postponing liberalisation of the domestic electricity market until 1998 and subsidising the extra output so that it could be sold at world prices.

Barring reform, domestic coal consumption by electricity generators is set to fall to 40m tonnes in 1993-94 and 30m tonnes thereafter.

The report is certain to increase pressure on the government as it prepares its own solution to the pit crisis, to be released as a white paper within two weeks. In effect, it leaves cabinet ministers – still smarting from October's retreat – to decide how far below the committee's bottom-line figure the government dare pitch its own proposals, without risking defeat in the Commons.

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Private finance likely for second Forth toll bridge

By Andrew Taylor and James Buxton

PLANS FOR a £300m privately-financed road toll bridge crossing the Firth of Forth near Edinburgh are expected to be announced by the government next week.

The crossing, which will be adjacent to the existing toll bridge, will form part of a package of public and private sector measures to ease traffic congestion in the region and improve connections between the north and south of Scotland.

The proposals are expected to include the construction of a dedicated bus route between Edinburgh airport and the city centre involving private and public money. It will be the first large investment in infrastructure to take advantage of the easing of rules, announced in the Autumn Statement, restricting the use of public subsidies to support commercial projects.

Companies and investors prepared to finance, build and operate a new bridge across the Forth will be asked, as a first step, to register an interest with the Scottish Office.

The crossing, together with approach roads costing an additional £100m, is likely to be funded entirely by the private sector. The total cost of the bridge and roads, including finance charges, could rise as high as £800m. In return, the private company would take over the Forth road bridge at Queensferry, where cars at present are charged 40p to cross. This would enable the operators to generate income while the new crossing was being built.

The capacity of the existing bridge, built in 1964 to carry 14,000 vehicles a day, is expected to be exhausted by the beginning of the next century. More than 50,000 vehicles a day crossed it on more than 100 days last year.

The crossing, which is operated by Lothian and Fife regional councils, is due to repay its capital debt next year although tolls had been expected to continue on the bridge to pay for maintaining and strengthening it.

The scheme for a new bridge is the latest in a growing number of private sector infrastructure projects promoted by the government. These have attracted considerable interest from continental European toll road operators and construction companies as well as British groups.

Privately financed schemes completed or underway include a new toll bridge across the River Thames at Dartford, a bridge across the River Severn between England and Wales, the Birmingham Northern Relief Road and a toll bridge connecting the island of Skye with the mainland. All, apart from the Dartford crossing, involve British companies in partnership with continental European groups.

Burton in £163m cash call to fund face-lift

By Peggy Hollinger

BURTON GROUP, the clothing retailer, yesterday became the sixth UK company this week to launch a rights issue, with a call on shareholders for £163m.

The company wants the cash to reduce its £324.6m net debt and finance a face-lift for most of its 1,800 stores.

The announcement brings the total sought from shareholders this week to £714m, including a £347m issue from Asda, the supermarket chain, and a £144m cash call from Wessex Water.

Burton's one-for-four rights issue at 60p is its second call on shareholders in 19 months. The previous £161m share issue, one-for-one at 30p, rescued the group after huge writedowns in its property portfolio.

Mr John Hoerner, chief executive, said yesterday: "The last one was damage repair. This one makes it possible for us to explore opportunities." Mr Hoerner was promoted a year ago from Burton's Debenhams department store chain to lead the group's revival.

Mr Steve Oldfield, an analyst with Smith New Court, said the issue would "provide the financial foundation to develop a store base which will provide recovery. I think they have timed it very

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Last chance for Bosnia peace talks

By Robert Mauthner, Diplomatic Editor

BOSNIA'S three warring factions will be asked by mediators today for a final decision on an internationally-brokered peace plan, in spite of the fact that Bosnian Moslems oppose many of its provisions.

The co-chairmen of the Geneva peace conference, Mr Cyrus Vance and Lord Owen, have made clear that they are not prepared to extend the negotiations indefinitely and that they will give the three Bosnian groups one more chance to say "yes" or "no" at face-to-face talks today.

Failing a favourable reply to their proposals, which include a constitutional framework, a map of the 10 provinces into which Bosnia will be divided and ceasefire arrangements, the mediators have said they would ask the United Nations Security Council to impose a settlement.

In a television interview yesterday, Lord Owen said he was confident that, "at the end of the day" an agreement would be reached. "We may not reach it totally here (in Geneva), but if not, we'll reach it in New York."

Lord Owen said he and Mr Vance would report to the UN Security Council after today's meeting and might press for sanctions against any side blocking the accord.

Mr Haris Silajdzic, the Bosnian Moslem foreign minister, poured cold water on hopes that an overall agreement might be reached today, following the progress made towards an agreement on transitional arrangements for the administration of Bosnia between the application of a ceasefire and the implementation of a new constitution.

Under the interim arrangements, a nine-member body composed of three representatives from each ethnic group would take over from Bosnia's elected presidency after a ceasefire.

However, Mr Silajdzic said his government could not accept either the Vance-Owen package because the Moslems considered that it would lead to the ethnic division of the country and was tantamount to rewarding Serb aggression or the interim power-sharing arrangements.

"We, as a member of the United Nations will never accept the abolition of our constitution, our legality, which is based on free and democratic elections," Mr Silajdzic said.

The Bosnian Croats are the only ones who have so far accepted the whole Vance-Owen package, but the Bosnian Serbs are expected to endorse it today. It was not certain last night whether the Bosnian Moslems would bow to pressure by the mediators.

Battle to avert Croat dam disaster

By Laura Silber in Belgrade

WATER was pouring through the crippled Peruca dam in Croatia yesterday as engineers struggled to prevent the homes of 20,000 villagers from being washed away.

Croatian engineers were preparing a controlled drainage of the 12-mile-long reservoir to relieve pressure on the damaged dam wall, Mr Tonci Caracic, a Croatian scientist, said yesterday.

Croats and Serbs yesterday traded accusations about who caused the three gaping holes in the 63-metre-high dam, 40km north-east of the Adriatic port of Split.

The dam was seized on Thursday night by Croat forces on the seventh day of their offensive, breaking through a year-old United Nations ceasefire line.

UN officials said the dam was not in immediate danger of collapsing, had not received a direct hit and was not fired at.

Engineers warned that the entire reservoir, 500m cubic metres of water, might have to be drained to avert the danger of flooding 20 villages downstream from the dam.

On an emergency visit to Peruca, Mr Hrvoje Sarinic, the Croatian prime minister, yesterday accused Serb fighters of trying to blow up the dam to make sure it would be out of operation before they were forced to pull back. "The catastrophe was narrowly averted, thanks to quick action by the Croat forces," reported Croatian radio.

Witnesses said the sluice gates had been blasted away and the control room was a "twisted hunk of metal". But Serb leaders in Knin, the nearby centre of self-proclaimed state of Krajina, yesterday lashed out at Croatia for "attempting to cause an ecological catastrophe".

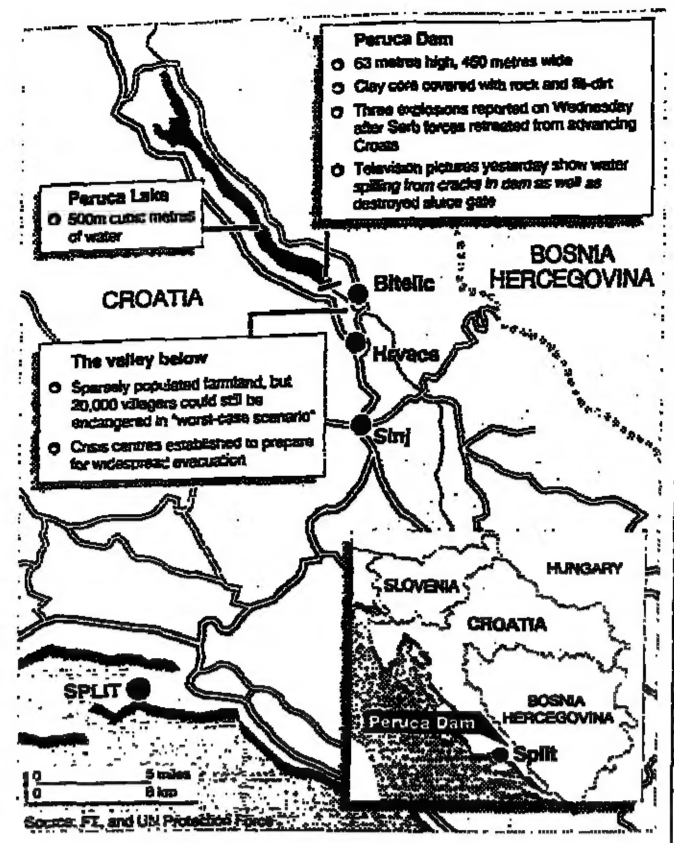
"Croatia is trying to make it seem as if the wild Serbs tried to explode the dam. But they have jeopardised thousands of people's lives in their botched attempt to mine the dam," said Mr Boro Martinovic, a minister in the self-styled government.

As local crisis centres prepared for the possible evacuation of villagers, Croatian radio warned citizens not to panic.

Serb fighters seized Peruca during the seven-month Serbo-Croat war in 1991 and mined the dam, which provides electricity for much of central and southern Dalmatia.

President Franjo Tudjman of Croatia yesterday staged a triumphant tour of the frontline region of Lika. In a letter to the European Community, he pledged that Croatia would abide by the UN resolution demanding the offensive be halted, reported Croatian radio. On the eighth day of clashes, he said Croat forces had achieved their goal, when they secured the vital Maslenica bridge which joins central Croatia with the Adriatic coast.

Water pours through a destroyed sluice gate in the Peruca dam



A Serbian ship, carrying oil, has again defied Romanian and Bulgarian controls on the Danube and passed into Serbian waters breaking the UN embargo, the Romanian Foreign Ministry said yesterday, writes Virginia Marsh in Bucharest.

The Velebit was the third Serbian tugboat pushing barges of oil loaded in a Ukrainian port of Reni, along the Danube, to break the embargo in the past three days.

Romanian coastguards said Romanian and Bulgarian motor boats had circled the Velebit for two hours yesterday but had backed off when the tug nearly collided with one of their boats.

Two more tug boats, following not far behind, were last night also expected to try to reach the Serbian port of Prahovo.

Despite continuing US pressure to stop the ships, Romania yesterday repeated it was unwilling to take further action alone. Romania was particularly concerned at the ecological consequences of any conflict with the ships. The captain of one tugboat threatened to blow up or discharge his cargo into the river, polluting the sole water supply of many ports, rather than surrender.

NEWS IN BRIEF

Poland sets date for $12bn debt talks

POLAND said yesterday it would start talks on restructuring its $12.1bn (£8bn) commercial debt with western bank creditors in Vienna on February 11, writes Christopher Bobinski from Warsaw.

The Polish team will be led by Mr Krzysztof Krowacki, the new chief debt negotiator who last week stunned western banks with an announcement that servicing of a $1.1bn trade facility extended in 1983 would be cut to 20 per cent of the interest due this year.

The Vienna meeting will cover this loan as well as commercial debts worth $8.3bn which have not been serviced since autumn 1989 and the $2.7bn-worth of interest on the loans which has gone unpaid since then.

Brazilian steel duty protest

Brazil said yesterday that it would complain about punitive US duties on foreign steel imports to the ruling council of the General Agreement on Tariffs and Trade, Reuter reports from Geneva.

Mr Celso Amorim, Brazil's trade ambassador in Geneva, said: "We wish to call the attention of all Gatt contracting parties to this major impediment to trade.

"We are still studying concrete action. We are proceeding with bilateral consultations with the US in Washington."

Jordan wins $380m more aid

International donors have found an extra $380m in 1993 aid for Jordan, rewarding its role in the Middle East peace process as well as its economic adjustment policies, officials from Jordan and aid agencies said yesterday, writes Reuter from Paris.

Planning Minister Ziyad Fariz said after the end of a meeting called by the World Bank that the donors showed "an appreciation of our role in the Middle East at large, of our role in the peace process." They were also backing democracy in Jordan, he said.

Chinese invited to Taiwan

Taiwan will invite mainland Chinese trade officials to a meeting next month under the auspices of the Asia Pacific Economic Co-operation (APEC) forum, the Board of Foreign Trade said yesterday, reports Reuter from Taipei.

They would be the first Chinese officials to make a formal visit to Taiwan since the end of the Chinese civil war in 1949, said Mr Peter Ho, a section chief at the board. However, he said the three Chinese participants would not hold bilateral talks with Taiwanese officials.

They would be invited to attend a training course on the development of small and medium-sized enterprises in Taipei from February 27 to March 2.

Singapore air link sought

China's airlines are hoping to involve Singapore Airlines (SIA) as a partner in the air as relations between Singapore and China rapidly improve, Reuter reports from Singapore.

Air China, Beijing's state-owned international carrier, has asked SIA to take a stake in the carrier, which plans to issue shares after setting up a holding company in March.

French want EC probe into Hoover

By David Buchan in Paris and Robert Taylor, Labour Correspondent

FRANCE is to ask the European Commission to investigate whether Hoover may be breaking European Community law in apparently using pension fund money to invest in a Scottish plant which is drawing jobs away from France.

The domestic appliance group denies breaking any EC rules.

Hoover's announcement this week that it was closing its vacuum cleaner factory in the Dijon region, and switching production to Cambuslang near Glasgow has caused a political storm in France, where the Socialist government faces record unemployment two months away from a general election.

Mrs Elisabeth Guigou, France's EC affairs minister, said yesterday a key factor in Hoover's decision appeared to be the company's ability to put pension fund money into the expansion of its Cambuslang plant. If this was true, she said it would be contrary to a 1980 EC directive.

This directive, a French official said, is designed to protect workers in the event of their companies going bankrupt. It includes provisions to "prevent pension funds being taken hostage" by companies, he said. "If one day Hoover were to go bankrupt, then this pension fund money might disappear."

Hoover said last night that it had reached agreement with its British workforce on the future of the company's UK pension fund. This is £28m in surplus. Under the proposed deal with the workforce the surplus would be reallocated.

Hoover said the pension fund agreement had not yet been approved by the Inland Revenue but would involve dividing up the surplus. He said 53 per cent would be returned to the workers in improved benefits, 19 per cent would go to the Inland Revenue, and 28 per cent recovered by the company.

Reallocating company pension fund surpluses is lawful in Britain and Hoover does not believe it breaches EC rules.

Concessions made by Scottish workers to woo the Hoover investment have angered French trade unions. They accuse Britain, which refused to accept the full social provisions of the Maastricht treaty, of allowing "social dumping". This refers to undercutting labour standards to attract foreign investment.

The French government has instructed its EC ambassador to ask the Commission to inquire into possible "distortion of competition" within the EC single market, as a result of the Scottish Office's aid to Hoover.

Record 2.98m out of work in France

By David Buchan in Paris

UNEMPLOYMENT in France reached a record 2,978,400 last month, 10.5 per cent of the workforce.

However, the rate of increase slowed, with a rise of 7,400 in December, up 0.2 per cent over the previous month. The figures gave some respite to the government, which had feared yesterday would see unemployment crossing the 3m mark.

When he took office last April, Prime Minister Pierre Bérégovoy pledged to keep unemployment below 3m. But the subsequent economic slowdown, caused by high interest rates to support the franc's parity against the D-Mark, has made the promise nearly impossible to keep.

Unemployment and related issues, such as France's high official taxes and foreign disinvestment, have become a focal point of the campaign for the March parliamentary election. Socialist ministers, with some support from the conservative opposition, have blamed employers for seeking to reduce their costs primarily by laying off their workers.

The employers, for their part, say the rise in redundancies is an inevitable result of high interest rates at home and currency depreciations abroad.

Mr François Perigot, president of the Patronat employers federation, warned this week that "the French economy cannot tolerate indefinitely real interest rates which are so much higher than in Germany, and such a difference in the exchange rate with Britain".

Mr Perigot said "everyone claps" at France's trade surplus, which amounted to FFr30bn (£3.7bn) last year. "But if French companies are present everywhere on world markets, it is because they are more competitive, and if they are more competitive, it is because they have cut costs, and among such costs are their workforce."

Russia building new gas pipelines

By Deborah Hargreaves in Moscow

GAZPROM, Russia's state gas production company, is building two new gas pipelines to Germany in an effort to avoid disruption of gas supplies running through the Ukraine, Mr Rem Vyakhirev, the company's chairman, said.

There was an outcry in Germany in October when the pressure in the gas pipeline, which supplies 31 per cent of German demand, dropped for several days as supplies through Ukraine were disrupted.

Mr Vyakhirev said the interruption in supplies in October was caused by a technical problem that "can easily be corrected".

However, it is widely believed that the gas supply problem in October was caused by Ukraine stealing gas from the export pipeline after its own supplies were interrupted.

Mr Vyakhirev said gas flowing through the existing pipeline had a time lag of five to seven days, so it could take a week to sort out any problems. The new pipelines will have a three-day time lag so disruptions could be corrected much quickly, he said. He would not disclose the cost of the pipelines, but it is believed to represent an investment of $1bn (£600m).

Construction of the new pipelines has already begun in Russia with completion of the first pipeline to Germany due in 1997. The company is expected to run one line through the Baltic states and Poland, entering Germany at Frankfurt an der Oder.

Gazprom is expecting to sell around 8bn cubic metres a year to Poland en route, which will leave an additional 32bn cubic metres a year for Germany.

● Gazprom has signed a $50m contract with Compressor Controls, the US gas supplies company, for the supply of control equipment that will improve the efficiency of the company's pipelines and gas processing stations.

The contract runs over seven years and the company estimates it will save 10bn to 15bn cubic metres of gas a year that would have been lost by inefficient processing.

Shortages close Moskvich car plant

By John Lloyd in Moscow

THE Moskvich car plant, one of the giants of Russian industry, has closed because it lacks parts and funds.

The vehicle plant named after Lenin's Young Communist League and known as AZKL, shut its car production line yesterday after supplies of engines from the Ufa plant in the Russian republic of Bashkortostan dried up. The engine plant is facing a deficit of Rbs14bn in the first quarter of this year, and has written to Mr Victor Chernomyrdin, the prime minister, demanding a subsidy to cover it.

The Ufa lines stopped on Tuesday when they ran out of raw materials and parts. Mr Yuri Borodin, Moskvich's general director, yesterday blamed the "complete absence of state regulation in this basic branch of engineering."

Moskvich cars, whose most recent model is the Aleko five-door hatchback, have for more than two decades been one of the principal vehicle exports of Russia. The plant has been seeking foreign investors.

The main problem for Ufa is its dependence on the military, which takes four-fifths of its engines.

Military spending was cut dramatically last year. However, the draft budget before parliament includes a 32 per cent rise.

WORLD ECONOMIC FORUM

Clinton urged to call summit

By Andrew Gowers and Ian Rodger in Davos

A BOLD plan for global economic recovery, including a 20 per cent revaluation of the yen against the dollar and speedy conclusion of the stalled Uruguay Round of multilateral trade talks was proposed yesterday by Mr Fred Bergsten, a prominent US economist and former American official.

Mr Bergsten, addressing business leaders, ministers, officials and academics at the annual meeting of the World Economic Forum, called on President Bill Clinton to take the initiative by summoning a special summit meeting of the Group of Seven leading industrial countries to tackle the world's economic problems.

Such a meeting might, he suggested, be held after President Clinton had unveiled his domestic economic programme in late March or April, but certainly before the annual G7 summit, scheduled for July in Tokyo.

"The G7 is dead," Mr Bergsten said. "The world economy is entering its third year of virtual stagnation. All industrial countries are suffering from each other's weaknesses."

His proposed "global growth strategy" included:

● A substantial extra Japanese fiscal stimulus.

● Managed appreciation of the yen by 20 per cent along the lines of the 1985 Plaza accord, in order to counteract the rapidly growing Japanese trade surplus.

● Fiscal tightening in Germany and interest rate cuts in all principal countries.

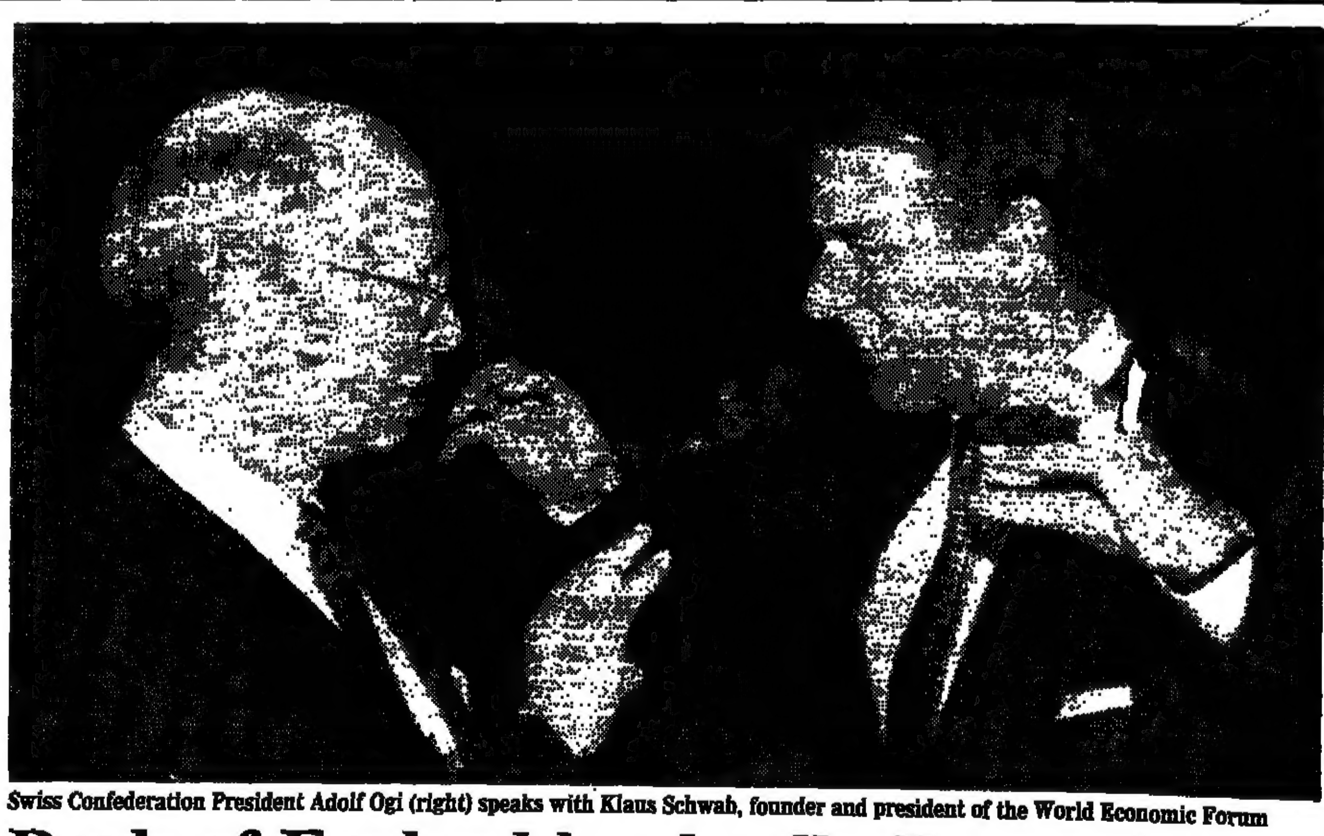
Mr Bergsten's call met a dusty response, however, from senior western officials at the forum. Mr Horst Koehler, state secretary at the German finance ministry, agreed the need for joint economic action was as strong as ever, but emphasised that "macroeconomic policy co-ordination can only be successful over time if each country solves its own problems".

On trade, Mr Bergsten and many others stressed the need for a quick resolution of the Uruguay Round, reinforced by this week's anti-dumping actions by the US against foreign steel makers.

However, Mr Arthur Dunkel, secretary general of the General Agreement on Tariffs and Trade, gave a gloomy prognosis as to the chances of completing the package by the beginning of March, when the US administration must formally notify Congress of its intent to conclude an agreement. "There is still a hell of a technical job to be done, not just by the US and EC but by all the others. What we need is a decision to conclude."

Mr Bergsten said that if a full Uruguay Round agreement could not be concluded before the expiry of US fast track authorisation on June 1, a mini package entrenching the agricultural pact and other significant agreements already reached should be signed.

Then the G7 should agree to launch a new multilateral trade round in a year or two.



Swiss Confederation President Adolf Ogi (right) speaks with Klaus Schwab, founder and president of the World Economic Forum

Bank of England head calls for more EMS flexibility

By Richard Lambert in Davos

THE European Monetary System had to work more flexibly, with more timely and more frequent realignments, Mr Robin Leigh-Pemberton, governor of the Bank of England, said in Davos yesterday.

Describing the lessons learnt from September's currency turmoil, Mr Leigh-Pemberton said monetary integration had to follow, not lead, economic convergence.

In addition to the economic strains which contributed to September's upheaval, there had also been a strong element of political pride, and a reluctance to face up to the need for a realignment.

Looking ahead, he said the official timetable for monetary union under the Maastricht treaty might no longer be realistic. But it would be a mistake to sacrifice convergence objectives in order to meet the Maastricht deadlines.

A Europe moving at different speeds might be inevitable, Mr Leigh-Pemberton said. It would "not be a big deal". But it would be a mistake for any one country to rush ahead into a currency union before Europe was ready.

Mr Leigh-Pemberton said he took a highly pragmatic view of the future, and had not lost sight of the monetary union objective, which he believed Europe would achieve "at some time". Such a regime would be free from the distortions of political influence – and it would be built on the basis of independent central banks.

Progress in ridding Ukraine of nuclear arms

UKRAINIAN President Leonid Kravchuk said yesterday considerable progress has been made towards getting rid of the nuclear weapons in the country, Ian Rodger writes from Davos.

Mr Kravchuk, at the annual meeting of the World Economic Forum, said a meeting had been held on Thursday in Kiev among Russian and Ukrainian experts.

"We made considerable progress on the questions of the storage, dismantling and transport of nuclear weapons from the territory of Ukraine," he said.

He also said preparations were being made for ratification by the Ukrainian parliament of the Start 1 and non-proliferation treaties.

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Anarchy in Zaire threatens to destabilise region

Hopes for a respite from chaos are fading as President Mobutu ruthlessly clings to power, writes **Julian Ozanne**

THE portents of a fragile African nation heading inexorably towards chaos and civil war are unmistakable. Black Africa's second largest country which sits at the heart of Africa is descending into a state of anarchy which could easily parallel the crisis in Somalia.

The collapse of Zaire, a country four times the size of France with 37m people, would be serious enough. But it has potentially destabilising consequences for the nine states surrounding the former Congo, including Angola and Zambia.

A ruthless dictator unwilling to reform, an irreconcilable 18-month political crisis, the complete loss of control over law and order and the growth of tribal animosities and secessionist sentiments are breaking the country apart.

The immediate cause of the fresh spree of violence is once again the economy. Mutinous soldiers are protesting against worthless new Zaire 5m banknotes printed by the pro-Mobutu central bank in December to settle the two months' payroll of the military and civil service.

The notes, worth less than $2 (£1.30) have become central to the on-going power struggle between the authoritarian president and the opposition which nominally heads a toothless interim government.

Mr Etienne Tshisekedi, the reformist prime minister, fearing a rapid escalation of hyperinflation, declared the notes illegal tender.

Petrol stations, shops, market women and commercial banks refused to accept the banknotes.

On Wednesday the central bank announced draconian measures to force businesses to use the notes, threatening to suspend central bank operations with commercial banks, to sack managers of state-run enterprises and close down petrol stations and airlines if they failed to do so.

Behind the controversy of the new bank notes lies an economic catastrophe, made worse by political instability and rampant corruption which remains endemic throughout the government and civil service. France, Belgium and the US said last week they would restore aid suspended in 1991 if Mr Mobutu forfeits control of the treasury to the government and accepts transition to democracy.

The foreign aid is desperately needed to repair economic infrastructure destroyed during the last major army spree of violence and stabilise an economy which has vast mineral resources of diamonds, copper and cobalt.

Restoring monetary control would be a vital first step to economic recovery. The central bank is injecting massive liquidity into the enfeebled financial system without any accountability to the government. The Economic Research Institute at the University of Kinshasa estimates that inflation soared in 1992 to 6,183 per cent for goods purchased in stores and 4,179 per cent for traditional market-based consumption compared to an annual rate of 3,525 per cent in 1991.

Zaire Fact File

POPULATION: 36.7m (estimated 1991).
AREA: 905,562 sq miles (2,345,409 sq km).
ARMED FORCES: 54,100 including a para-military gendarmerie force and a Civil Guard. Military service is voluntary.
ECONOMY: Gross Domestic Product $6.42bn (1992 World Bank estimate).

The Zaire's value against the dollar has plunged in the past 18 months of turmoil from 7,500 in August 1991 to 2,695,441 earlier this week. Real GDP is estimated to have fallen by 8 per cent in 1992 having contracted by 7.3 per cent in 1991. Both copper and cobalt production have slumped to new lows.

The country is unable to service its $10bn external debt and has accumulated hefty arrears to the IMF and World Bank.

The one chance for any recovery remains a credible government with full control over policy making. However, the economic crisis and the ability of the government to tackle the problems has been compounded by a protracted political tussle between Mr Mobutu and the country's fragmented and increasingly tarnished opposition.

Mr Mobutu, who spends most of his time incommunicado steaming up and down the Zaire River on a Belgian colonial riverboat, has consistently refused to bow to demands for multi-party democracy and to hand over significant executive power to the opposition.

Although he has appointed a prime minister from the opposition, Mr Mobutu continues to sabotage the government and undermine its credibility.

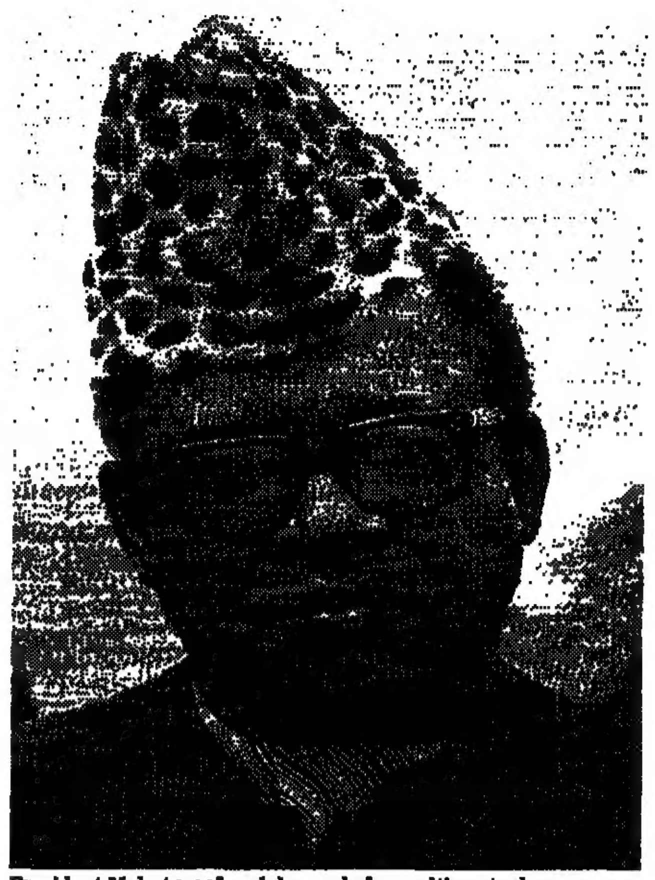
The opposition has sought to remove him from power by waging a civil disobedience campaign while at the same time seeking to impeach the President through the interim parliament. Ultimately Mr Mobutu's survival depends on whether he can maintain the loyalty of the army although a successful disobedience campaign could lead to the country becoming ungovernable.

In the political vacuum violent ethnic passions among Zaire's 200 tribes have been on the intensifying, particularly in remote areas which have been effectively cut off from central authority for months.

The brewing ethnic conflict is most acute in the mineral-rich province of Shaba, formerly Katanga, where the Katangese people fought for secession in the 1960s and 1970s. Ten of thousands of migrant labourers from neigh bouring Kasai region working in the state-owned mining giant Gecamine and in the informal business sector have been forced to flee Shaba.

The tensions could quickly lead to a revival of the secessionist movement in Shaba.

With Mr Mobutu determined to ruthlessly cling onto power there appears little hope of respite from further chaos.



President Mobutu: refused demands for multi-party democracy

Bank of Japan is pressed for interest rate cut

By Charles Leadbeater in Tokyo

MR Yasushi Mieno, governor of the Bank of Japan, is under mounting pressure to cut official interest rates to help prevent the Japanese economy slipping into outright recession.

Mr Mieno yesterday acknowledged the weight of the pressure from bankers, industrialists and politicians to cut the official discount rate which has stood at 3.25 per cent since last July.

He said the crescendo of calls for a rate cut reflected the severity of the downturn which has hit the economy, particularly over the last six months.

His remarks were seen as a signal to the business community that the Bank recognises the extent of the slowdown and will cut interest rates soon.

The prospects for a cut were strengthened yesterday by figures showing Tokyo's annual inflation rate was just 1 per cent in January. Economists expect the national inflation rate, which was 1.2 per cent in December, will fall to 0.5 per cent in comingmonths.

Only 5 per cent of companies polled by the Ministry of Finance said they had felt any benefits from the Y10,700bn (£56.9bn) emergency spending package announced last August.

Mr Mieno earned a reputation as a financial disciplinarian after he raised interest rates more than two years ago to prick the speculative bubble economy of the late 1980s. However in recent months he has faced mounting calls to adopt a more relaxed policy.

Mr Mieno's critics' case has been strengthened by the Bank's research which has recently adopted a more pessimistic tone about the outlook for consumer spending and economic recovery.

Bank officials argue its room for further cuts is limited because it is unwilling to reduce the official discount rate below the historic low of 2.5 per cent it reached during the late 1980s.

As a result the next interest rate cut is widely expected to be the last for sometime. It is thought the Bank has wanted to delay a cut for as long as possible to make sure that more emphasis is placed upon increases in public spending to stimulate the economy.

Financial analysts believe the Bank may be holding back an interest rate cut as an emergency measure to bolster confidence in the event of another sharp fall in the fragile Tokyo stock market.

Mr Mieno made clear the Bank would support any major financial institution which faced a crisis through a build up of bad loans. He stressed there was no reason to expect such a crisis.

● Housing starts, one of the few bright spots in the Japanese economy, rose 5.4 per cent in December, according to figures published yesterday.

Yeltsin to defy US on missile sale

By Stefan Wagstyl in New Delhi

PRESIDENT Boris Yeltsin of Russia yesterday pledged to go ahead with a controversial deal to sell missile technology to India despite protests from the US.

Mr Yeltsin, who has been accused by nationalists at home of kow-towing to Washington, used the occasion of a three-day visit to India to state his determination to pursue an independent foreign policy.

Mr Yeltsin said Russia would not "backtrack" on the agreement which became public last year to supply India with cryogenic engines for rockets. He suggested that the US, which has punished India for the deal by banning space technology co-operation, should react to the agreement with "commonsense".

Mr Yeltsin said his visit to India, following trips to Seoul and to Beijing, showed that Russia intended to pursue a balanced foreign policy with equal regard for both the west and for Asia. He said that immediately after gaining power, he had paid more attention to the west, because of the need to deal with the US on issues such as nuclear disarmament.

But now Russia had to "maintain a balance in relations with the west and the east," said Mr Yeltsin.

During his visit to India, Mr Yeltsin and Mr P V Narasimha Rao, the Indian prime minister, signed a friendship treaty and various economic and military co-operation agreements.

De Klerk warns of war if talks fail

By Patti Waldmeir in Cape Town

MR F W de Klerk, the South African president, warned yesterday that South Africa faced a "devastating war" if talks on a post-apartheid constitution do not succeed.

Speaking at the opening of parliament, which excludes blacks, Mr de Klerk said he was confident that a transitional multi-party administration, charged with leading the country to its first one person, one vote election, could be in place by mid-year. He called for a bill of rights to be introduced during this transition period.

However his ministerial colleagues, speaking before the opening of parliament, illustrated divisions among government negotiators which could well delay the talks, and force changes in Mr de Klerk's timetable.

Mr Hernus Kriel, minister of law and order and a member of Pretoria's negotiating team, insisted the government would not agree to a new constitution unless it ordained permanent, compulsory power-sharing between blacks and whites, while other members of the government negotiating team say this demand has now been dropped.

Mr Kriel said differences also remained between the African National Congress and the government over re-incorporation of the nominally independent black homelands, devolution of powers to regional governments and the future of political armies. Other members of the negotiating team insisted there were no further fundamental differences on these issues.

However, Mr Pallo Jordan, ANC spokesman, said Mr de Klerk's speech was "extremely disappointing ... The country has been terribly let down."

"Instead of measured steps to involve his negotiating partners more deeply in the process of transformation he has chosen to cast himself and his government as managers of the process," he said.

Mr Pik Botha, the Foreign Minister, briefing reporters before the president spoke, warned of "grotesque and awesome" consequences if political leaders did not reach agreement, drawing a parallel with Yugoslavia. "Unless through the process of give and take, realistic agreement is reached ... then devastation would follow," he said.

Mr de Klerk said 1992, when multi-party talks collapsed in acrimony, was particularly bad. But he said a new spirit was abroad now. Much work had to be done before binding agreements were reached on the transition to democracy, but he said multi-party negotiations could resume in March, resulting in a transitional executive council in June and a transitional constitution by September.

■ Government and watchdog attacked ■ Unions vow opposition ■ Subsidy for generators urged

The coal spectre Thatcher failed to banish

By Philip Stephens, Political Editor

COAL is an industry that has haunted the Conservatives for more than two decades. Lady Thatcher thought she had banished the spectre after her crushing victory over the miners in 1985. Mr John Major discovered to his cost last autumn she had not. Now his government is preparing to pay the price.

The precise response of the cabinet to yesterday's report from the trade and industry committee will not be determined until next week. Mr Major will read the report before chairing a meeting on Monday of the cabinet committee charged with drafting the white paper.

Senior ministers say there are still battles to be fought over what has become for some in the cabinet a fight for the government's soul: between the free market ideology of the 1980s and the lame duck interventionism which preceded it.

But, fierce though it is, the debate will effect only at the margin the outcome of the review. The trade and industry committee, a cross-party group of backbench MPs, said the market for coal should be expanded by 16m tonnes a year until 1998, financed by a diminishing state subsidy.

If it is not to be defeated at Westminster, the government must now come up with a plan which will persuade the Conservative members of the committee – and the 30 or so more militant Tory opponents of pit closures – that it has responded in good faith.

The right in the cabinet – Mr Michael Portillo and Mr Michael Howard among them – have staked out a position which would limit the enlargement of the market to a maximum of 12m tonnes. The subsidy would run for 3 rather than 5 years. It would be slightly less per tonne than that suggested by Mr Michael Heseltine, the president of the board of trade.

For his part Mr Heseltine wants a formula that can be seen both to make some economic sense and to be fairly certain of convincing the Tory backbenches. His starting point is that the ideologists have chosen the wrong battleground.

The present arrangements for the electricity market already provide for an effective subsidy of £1bn a year. If the government did nothing that would fall to about £350m next year. So the issue is not whether the industry should be propped up next year but how much more the government should spend above the £350m already committed.

Mr Heseltine is aware also that the only rational argument that can be made for an additional subsidy is that it would provide a breathing space in which British Coal could become competitive. The case would be undercut decisively by too small a subsidy for too short a period.

Mr Major's focus is on a Tory majority of 21 and on the risk that a further row over coal could again sour the political mood and sap confidence in economic recovery. The judgment that will be crucial for him will be that of Mr Richard Ryder, the chief whip. It will be Mr Ryder's job to tell Mr Major what is necessary to reduce the number of Tory rebels to comfortably below 10 and to take coal off the political agenda until after the next election.

The 30-strong Tory group opposed to the original closure plan has told Mr Ryder that the price of its support is the rescue of at least half the threatened 31 pits. That suggests that the government will be obliged to come up with something comparable to the trade and industry committee's recommendations even if it disagrees with some of the technical analysis in the MPs' report. The U-turn that started in the autumn will then be complete.

Undoubtedly Mr Major will be branded by some as a Heathite. But there is an interesting historical footnote to all this. There are those on the right of the Tory party who are blaming not Mr Major but Lady Thatcher for the present predicament. During the miners' strike she considered privatisation of the coal industry. The news leaked and she was cowed by the ensuing political row into dropping the plans. There will be nothing new in Mr Major's retreat.

Miners at odds with view of TUC

By David Goodhart and Ian Hamilton Fazey

THE report was cautiously welcomed by the Trades Union Congress and heartily denounced by all the miners' unions, indicating that the labour movement's unified approach to the campaign against pit closures may come under strain.

Mr Arthur Scargill, leader of the National Union of Mineworkers, the biggest mining union, said the report was "unacceptable" and failed to deal with the central issues.

Mr Neil Greatrex, leader of the smaller Union of Democratic Mineworkers which is not affiliated to the TUC, also said he was "bitterly disappointed".

He added: "Obviously there are parts of the report we like, such as the fact that all pits should go through the review procedure, but we believe that all 31 pits [initially marked for closure] should be saved."

He said it was unfair to penalise pits where the UDM is the main union because they had less room for productivity improvements now as a result of greater flexibility in the past few years.

The NUM will be backed in its opposition by the RMT, the main rail union. It has just been told that a further 2,000 rail jobs are to go before March in addition to the 5,000 announced in November. The rail unions and TUC mining unions are to hold ballots of their memberships on March 5 on a programme of one-day strikes.

The TUC, and large unions such as the TGWU and GMB general unions, gave their qualified support to the report. Mr Norman Willis, TUC general secretary, said: "The select committee are to be congratulated on providing a helpful report which opens the way forward".

BACM, the pit managers' union, also welcomed the report, saying it "reverses much of the damage proposed by the October closure announcement".

TUC officials said there was little surprise that the main mining unions were hostile. "It's their job to lobby for the best possible outcome and it's our job to make realistic compromises," said one.

The Coalfield Communities Campaign, which involves community groups and local authorities in the affected areas and opposes the closures, welcomed the report. The suggestion that the nuclear levy should be paid into a fund rather than to Nuclear Electric was described as "excellent".

WHAT THE EXPERTS SAY

Colin Webster
commercial director National Power

"It is for government to decide by how much there should be a larger market for British Coal over and above the tonnages which have been involved in discussions between the coal producers, the generators and the regional electricity companies. We are both willing and able to use larger amounts of UK-produced coal provided a market can be found for the electricity generated from it and fair mechanisms can be agreed to meet the additional costs."

■ Generators' monopoly power is criticised and the report calls for tougher price controls.

Neil Clarke
chairman British Coal

"The report supports our consistently stated view that only a radical transformation of the market would change the prospects of many of our collieries. I am pleased that this report points the way to a more stable and secure future for our miners. It is a cool and rational assessment of the benefit of maintaining a substantial indigenous coal mining business for years to come."

■ British Gas competes with electricity in the home heating and industrial markets.

John Collier
chairman Nuclear Electric

"The recommendations open the way for a secure future for coal and nuclear power in the UK. In particular the committee has taken full account of our argument that there should be no sense in closing our nuclear stations early to make room for coal. . . It's far cheaper to run our stations than to close them. I'm happy with the suggestion that the fossil fuel levy and the company's inherited liabilities should both be taken away from Nuclear Electric."

■ Nuclear Electric would lose some of its levy revenue, but also some clean-up liabilities.

John Harris
chairman East Midlands Electricity

"I disagree with the suggestion that franchise on the provision of electricity supply should be extended from 1994 to 1998. This will increase electricity prices. But I go along with the general thrust of the report which is that there should be government subsidy to keep pits open. . . The miners will have to insure that in the next few years their pits will become more competitive. However I would want to see that the subsidy is not open-ended."

■ Regional suppliers would have to buy electricity generated from UK coal or risk losing licence.

Tony Craven Walker
chief executive Monument Oil & Gas

"In identifying the need to provide for non-domestic quality gas, the committee has recognised the requirement to utilise Britain's energy reserves to maximum efficiency. I welcome the recognition of the project to develop four oil and gas fields in Liverpool Bay, north Wales, which has been suspended pending the outcome of the energy review."

■ Independent gas projects have been accused of stealing coal's market.

Arthur Scargill
president NUM

"The report is unacceptable to the NUM and to mining communities. In spite of overwhelming evidence, the committee has refused to address the problem of the rigged market which led to the unlawful and irrational closure decisions. We find it incredible and inexplicable. . . that the committee has refused to recommend the phasing out of expensive nuclear power, failed to recommend a halt to subsidised coal imports and has not recommended stopping the 'dash for gas'."

■ Unions may see thousands of jobs saved but cost-cutting and streamlining to continue.

Eamonn Butler
director Adam Smith Institute

"Any subsidy to coal will cost jobs elsewhere in the oil and gas industries. It will also cost jobs among ordinary taxpayers. Businesses who are finding it difficult at the moment will face higher tax bills and employ less people for less time as a result."

■ Committee claims the measures are ultimately aimed at fostering a better energy market

Peter Melchett
executive director Greenpeace

"The committee appears to have neglected the environment in favour of a quick fix designed to address political expediencies. Instead of subsidising just one declining and polluting industry, the nuclear industry, it is proposing to prop up another, the coal industry, without addressing the long-term future environmental and economic results of such a decision."

■ Many measures will combat acid rain, promote clean coal technology and curb open cast mining but more coal will be burned.

Compiled by Jimmy Burns

Treasury and Littlechild criticised by report

By Michael Smith

THE BENEFITS of expanding the market for coal far outweighs the costs, said Mr Richard Caborn, chairman of the trade and industry select committee, as he presented a report with wide implications for a range of industries, workers, institutions and the environment.

The report is harshly critical of the Treasury and Professor Stephen Littlechild, the electricity regulator, and includes recommendations which, if implemented by the government, would significantly affect the nuclear, gas, coal and electricity industries in the UK and overseas.

The main conclusions of the report are in the following areas:

Coal: a subsidy should be provided to the electricity generators to burn up to 16m tonnes of extra coal a year for the next five on top of existing contracts. It would be equal to the difference between the price of overseas and British coal. In addition, the government should consider financial assistance for 3m tonnes to be sold elsewhere and require the generators to buy 4m tonnes for one year only in 1984-85.

There would also be subsidies for clean coal technology. The committee believes the total subsidy needed over five years would be less than £500m. The money should come either from the fossil fuel levy "which raises more money than is needed for its main purpose" or from the taxpayer, but not the electricity consumer.

More worrying for British Coal is the committee's suggestion that opencast output be reduced gradually through stricter planning guidelines from its present 18m tonnes a year to about 10m.

However, the corporation welcomes the committee's suggestion that a high priority be placed on reforming working practices, particularly the reform of working hours.

Electricity that is supplied from France should be subject to the nuclear levy

Conversely the unions will welcome the committee's proposal that any colliery proposed for closure should be put into the Modified Colliery Review Procedure, a move opening the possibility that no pits be closed within the next nine months.

Nuclear power: Nuclear Electric will be relieved the committee rejects calls from some environmentalists for early closure of the Magnox stations or for not commissioning Sizewell B next year. It also welcomes a committee proposal, unlikely to be adopted by the government, that NE ceases to receive income from the fossil fuel levy and ceases to be responsible for discharging inherited nuclear liabilities. The report suggests diverting £380m a year of the levy towards coal.

The committee recommends that the nuclear review scheduled for 1994 be brought forward by a year.

Major energy users, who have since privatisation complained of high electricity prices, are backed. The committee says major users should not be disadvantaged by high electricity prices relative to overseas competitors.

It suggests a cross-subsidy from small consumers by tapering the fossil fuel levy so large users pay a small percentage.

Electricity: Perhaps the most significant means of increasing the market for coal would be achieved through the committee's recommendation that the liberalisation of the electricity market be delayed by four years from 1994. Under its proposal the boundary non-franchise market, where there is competition between regional electricity companies, would remain at 1MW.

Some regional companies have suggested this would enable them to collectively buy 15m tonnes more a year of coal-fired electricity because they would be certain they could sell it to customers.

The committee says retention of the existing franchise boundary would be conditional on the regional companies agreeing to larger coal contracts. In addition it says the prices of the generators and regional companies would have to be tightly regulated to prevent excessive prices.

Under present licences the generators are not directly regulated and some regional companies say this enables them to hold on to some of the money resulting from falling coal prices.

The committee also recommends the government require the generators to hold total stocks of not less than 20m tonnes of coal a year.

The committee wants Prof Littlechild to review regional companies distribution charges immediately so he can introduce tighter controls on charges and pass the benefits of privatisation on to consumers.

It says it does not regard the way Prof Littlechild has discharged his duties as satisfactory, criticising him for "over-reliance" on competition and an apparent lack of urgency in resolving problems.

The report says his duties should be amended to make protection of consumers one of his primary duties and be required to consider long-term interest of indigenous fuel producers.

The Department of Trade and Industry is asked to review the power of energy regulators, with the aim of acquiring more parliamentary and government control over their work.

Operation of the pool wholesale market for electricity is strongly questioned because of the way the bidding system appears to disadvantage coal. A review is suggested.

The report suggests controversially that electricity supplied from France be subject to the nuclear levy and that Eléctricité de France's ability to negotiate long-term contracts to supply power be made conditional on UK generators having access to the French system. The committee believes this would create room for 6.5m tonnes of coal.

Littlechild had an 'over-reliance' on competition, lacking urgency on problems

Gas: Rapid expansion in the market share of combined cycle turbine gas generators are accepted as inevitable – the committee estimates 30m tonnes of coal equivalent in 1997 against 1m this year.

The committee says the independent power projects involving CCGT have a protected market through long-term contracts and "we do not necessarily rule out draconian ways of reducing their impact on the market for coal". It asks the government to look at the possibility of some CCGTs being used as mid-merit or peak instead of baseload capacity.

Environment: Oil plants which burn orimulsion, the South American fuel, should fit flue gas desulphurisation units, which the committee believes would make them prohibitively expensive.

The committee says the government should resist the introduction of a carbon tax unless it is essential to achieve commitments on carbon dioxide emissions and is more cost-effective than other measures.

Government: The Treasury is criticised for its role in the pit closures programme. "We find it disappointing that the Treasury apparently failed to conduct any comparison between the costs of closing the 31 pits and the costs of a temporary subsidy to enable British Coal to enlarge its markets."

The report says this could have suggested phased closures at least. "We also consider it reprehensible both that negotiations with the Treasury over the redundancies were so protracted and that the Treasury then required all the redundancies to take effect within the remainder of the financial year."

A pit waits for release from months of misery

By Chris Tighe

THE FATE of Westoe Colliery at South Shields, Tyne and Wear, and its 1,120 miners hung in suspense yesterday.

Powerloader Mr Jimmy Gallagher and his workmates wanted, above all, to know whether their colliery has a future.

They have endured three months of uncertainty and oscillating morale since their pit appeared on the October closure list.

As they drank mugs of tea in the canteen, waiting for the 2.30pm cage to take them underground for their hour-long journey to the coal face – six kilometres out under the North Sea – their prospects were as unclear as before the release of the eagerly awaited select committee report.

Mr Gallagher, 35, who has worked at Westoe for 20 years, said: "Men don't know if they're coming or going."

Mr Davy Graham, a 49-year-old powerloader with 33 years service at Westoe, said: "What we want to know is, when are they going to put us out of our misery?"

Westoe's coal goes to Yorkshire region power stations, so transport costs put it at a disadvantage against pits in that region.

It was ranked 20th economically out of the 21 threatened pits in last week's John T. Boyd report. Westoe miners dispute the report's calculations, arguing their pit has produced an operating surplus each year, except one, since the mid-1980s and has 60m tonnes of known reserves.

The men were gloomy yesterday about Westoe's survival chances and about their prospects of working again. South Tyneside is already joint first, at 19.7 per cent, in mainland Britain's unemployment league. Its male jobless rate is 28.2 per cent and 40 per cent of its unemployed have been out of work more than a year.

In this context Westoe's miners are an elite – well-paid responsible men, most of whom have never been on the dole. Asked what their chances were of finding another job, most just laughed.

There was confusion among them over whether the select committee's recommended subsidy was for 16m or 19m tonnes. The former figure would probably damn Westoe. The latter figure offers a meagre shred of hope. Political lobbying will be crucial.

Ashley Ashwood

Six miners at Westoe Colliery, South Shields – who have a total of 121 years service between them – anxiously await their pit's fate

Major backs 'merchant venturers'

By Ralph Atkins

MR JOHN Major has found a fresh theme this week: the importance of exporting.

Returning to London yesterday after a six-day trip to India and the Middle East, the prime minister was looking a little pleased with himself.

Accompanied by a team of businessmen, he had spoken repeatedly of the need to boost overseas sales and had been rewarded with a defence sales agreement with Saudi Arabia worth between £4bn and £5bn and several smaller deals in India and Oman.

Mr Major told industrialists that Britain's economic prosperity hung on their future export successes. The government and industry, he said, must ensure Britain takes advantage of sterling's devaluation – and not, as so often in the past, blow its chance of building economic growth on export sales. "We need merchant venturers, not merchants of gloom," he said last night in Glasgow.

The businessmen travelling with Mr Major were impressed. He spent much of his time discussing their individual clashes with Indian regulations and won unqualified praise for his efforts to open doors in government.

The emphasis on exports marks a shift in Whitehall. In the past both the Treasury and Mr Major have emphasised the need for a revival in consumer confidence. In Delhi, however, Mr Major said: "Export growth will lead our recovery."

At first it appeared a throw-away comment. But by the end of the week, it seemed Mr Major was moving towards believing that recovery has to be built on investment and export growth.

The genesis of the remark was the Downing Street Policy Unit's new year summit on domestic issues. By the year 2000, Mr Major argues, Britain will have to broaden its manufacturing base and increase competitiveness in middle and leading-edge technologies. "Soft" markets such as India are becoming manufacturers in their own right.

Mr Major says there has to be a "new language" between industry and the government and an end to prejudice against manufacturing and engineering.

The change is more about mood than prescription. Mr Major will take a delegation to Japan later this year; he will listen to the Confederation of British Industry more; mount another Whitehall offensive against unnecessary regulation and has promised a further review of state-supported export credit insurance, even though the Treasury's provision was increased in the autumn statement.

Back in Westminster, however, Mr Major could find the debates on coal, Maastricht and the costs of 3m unemployed pushing the detailed concerns of exporters from his immediate priorities.

'Fewer companies' move from London

By Vanessa Houlder, Property Correspondent

THE NUMBER of companies moving out of central London fell by a third last year, because of the recession and oversupply in the office market.

A report on decentralisation by Jones Lang Wootton, chartered surveyors, found that:

- Only 14 organisations plan to relocate from central London in the next four years.
- In 1992, 23 organisations and 10,938 jobs moved out of central London. This compares with nearly 14,000 jobs and 30 companies in 1991.
- Property cost savings remain the most important motive for moving out of central London. However their importance is diminishing as a result of the narrowing of rent differentials between central London and suburban office markets.
- Companies are moving longer distances to achieve greater cost savings. Only 35 per cent of moving companies stayed in the south-east in 1992, compared with 79 per cent between 1983 and 1991.

Decentralisation of Offices from Central London. Jones Lang Wootton, 22 Hanover Square, London W1A 2BN. £100.

Fall forecast in public investment

By Peter Norman, Economics Editor

PUBLIC-SECTOR investment is set to fall in real terms in the 1993-94 financial year in spite of government pledges to protect capital spending, figures released by the Treasury showed yesterday.

According to the Treasury's statistical supplement to last November's autumn statement, public-sector asset creation – the broadest measure of public-sector investment – will fall by an inflation-adjusted 2.32 per cent in the coming financial year compared with 1992-93. In cash terms, public-asset creation is due to rise to £30.4bn this year from £30.31bn.

The fall in real terms largely reflects a sharp increase of £898m in projected investment by central government this year compared with earlier plans following the announcement in the autumn statement of its £750m programme to buy houses.

However, the figures brought a sharp response from Labour. Ms Harriet Harman, shadow chief secretary, said they showed that Mr Norman Lamont, the chancellor, had not kept promises made in the autumn statement to protect public investment.

The supplement revised upwards slightly the government forecast of the 1992-93 public-expenditure planning total to £226.5bn from £226.1bn in the autumn statement.

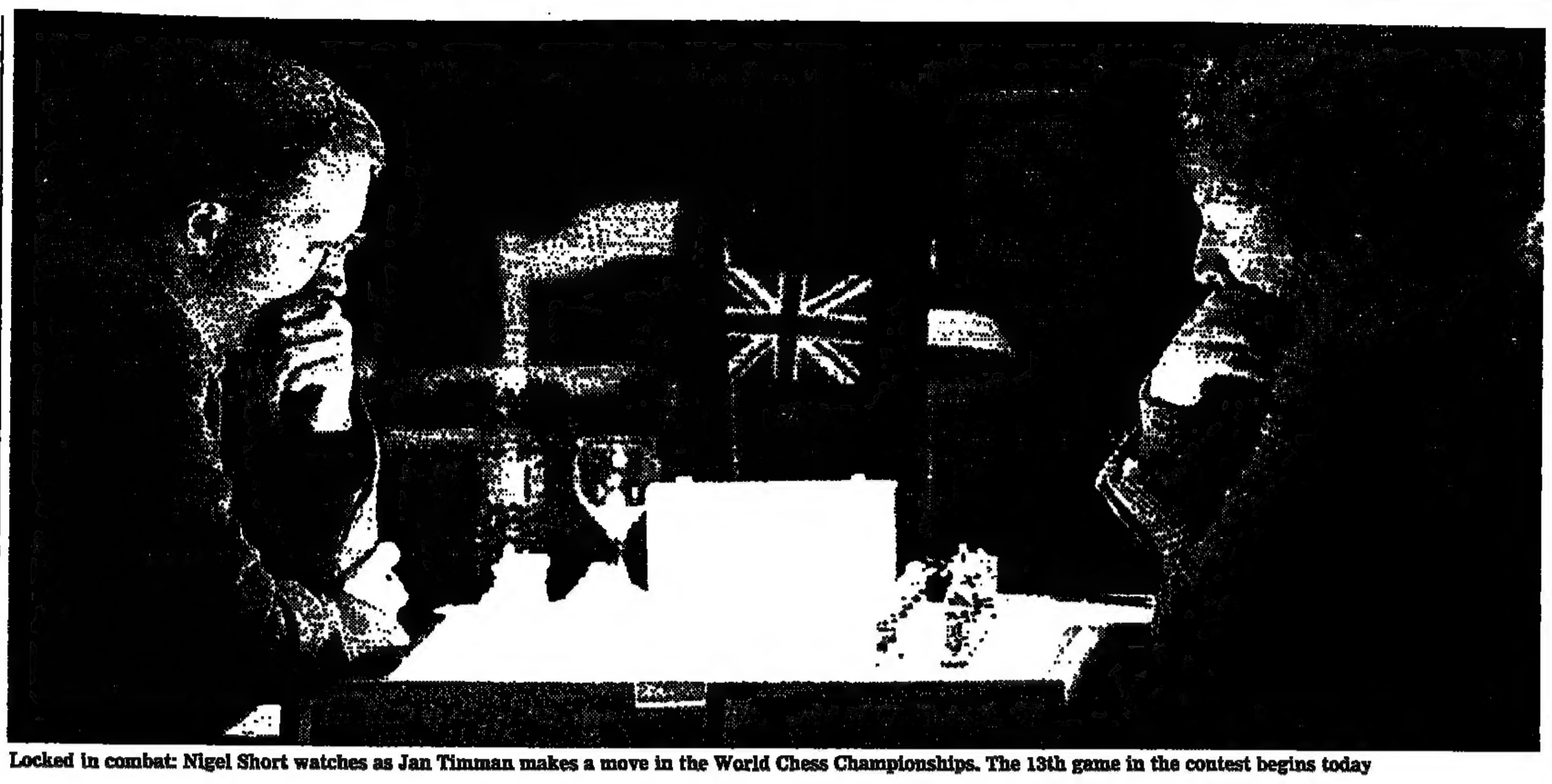
It also showed that Britons living in Northern Ireland, Scotland and Wales gain more from government spending than those in England in spite of a narrowing of regional differences in economic activity and unemployment since the start of the recession.

The government spent £4,191 per head of population in Northern Ireland in 1991-92 against £3,506 in Scotland and £3,268 in Wales. Expenditure per head in England was below the £3,060 national average at £2,963.

England accounted for 81 per cent of identifiable general government expenditure, a reflection of its larger population and economic importance. Scotland took 10 per cent of the total, against 5 per cent for Wales and Northern Ireland's 4 per cent.

Tentative figures for government spending in the English regions showed that the north-west had the highest per head expenditure, followed by the north and south-east.

Public Expenditure Analyses to 1995-96. Cm 2219, HMSO. £19.50



Locked in combat: Nigel Short watches as Jan Timman makes a move in the World Chess Championships. The 13th game in the contest begins today

Short moves closer to millionaire status

NIGEL SHORT will be on the brink of becoming Britain's first chess millionaire today when he sits at the board for his 13th game against Jan Timman, the Dutch champion.

Originally Kasparov had planned to defend his title in August in Los Angeles with a $4m prize fund, but backers were not interested in a series between two Europeans.

The International Chess Federation has re-opened bidding for the prize fund. Chess organisers in Barcelona say that city will bid $4m, while Jakarta may offer a still higher figure. Berlin and the Spanish university town of Santiago de Compostela are also in contention. Bids must be submitted to the federation by February 8.

In most cases the city authorities would be heavily involved in financing the prize money, seeking private sponsorship to help fund the event and regarding its spending as an investment in a higher international profile and an increased number of visitors.

Statistical forecasts based on ratings say Kasparov would win, but Short would collect the three eighths of the prize fund that goes to the loser. He would add this to the £35,000 for beating Karpov and £80,000 for eliminating Timman.

Business sponsorship of chess has declined. City institutions such as Grieveson Grant; UBS Phillips & Drew, the London investment banking arm of Union Bank of Switzerland; and Kleinwort Benson, the merchant bank, have dropped out since their mergers into bigger groups. The Greater London Council sponsored an international event in London in 1986, but was itself abolished soon afterwards.

There is still City sponsorship – from Lloyds Bank, Leigh Interests, and Duncan Lawrie, the private bank – as well as from the East Sussex town of Hastings, which holds a tournament every year.

Declining sponsorship has left leading players struggling for a living. Mr Peter Wells, 27, an Oxford economics graduate and head of the British Chess Academy, which represents young professionals, says: "There are too many players chasing too little money and in European opens we now have to contend with a huge influx of ex-Soviets."

Players rely on coaching, writing books and European league games to survive. Mr Wells adds: "Our only real hope is that the economy will improve and that there will be a spin-off from Nigel's match with Kasparov."

Leonard Barden

Chess column, Weekend XIX

Smoking report's research attacked

REPRESENTATIVES of the advertising and tobacco industries yesterday condemned as fallacious and inadequately researched a government report that says tobacco advertising plays a significant role in encouraging people to smoke, Gary Mead writes.

The criticism came from the Advertising Association and the Tobacco Advisory Council, which represents the main tobacco manufacturers.

In its response to the report the association said it had used invalid evidence and had ignored international research that contradicted the report's conclusions. It said the report:

- "Reviewed only a small fraction of the evidence on the subject of the effect of tobacco advertising on tobacco consumption."
- "Ignores the extensive literature relating to the basic question of how advertising actually works."
- "Arrives at sweeping and unjustified conclusions based on a limited and incomplete review of the available evidence."

The association quoted a 1984 World Health Organisation study of smoking behaviour among schoolchildren in Norway and Finland, where tobacco advertising was banned, and Austria and the UK, where it was not. It concluded: "A difference [in smoking habits] might have been expected. No such systematic differences are found".

The Tobacco Advisory Council suggested in its response that the generally accepted view of researchers was that children who smoked became aware of advertising, while children who did not smoke ignored it.

In the UK about £60m annually is spent on tobacco advertising in the press and on posters.

Building group in receivership

CLAYTON Bowmore, a building group based in Wakefield, West Yorkshire, has gone into receivership with debts of £5m. The group, which turns over £15m a year and employs 75 people, specialises in building schools and property for housing associations. It will be run by KPMG Peat Marwick, the receiver, while a buyer is sought.

Number of quangos increased last year

THE number of quasi-autonomous non-governmental bodies – quangos – rose last year, according to the Cabinet Office.

The number of quangos outside the health service – such as the Universities Funding Council and the London Docklands Development Corporation – was 1,412 in April 1992, a drop of 32. However the number of health-service bodies rose from 351 to 510, as a result of the creation of NHS trusts. Including Training and Enterprise Councils (and Local Enterprise Councils in Scotland), this brings the quango total to 2,026 in April 1992, compared with 1,846 the year before.

Public Bodies 1992. HMSO. £12.

Tanker hearings to start in spring

LORD Donaldson, the former master of the rolls, plans to begin hearings in his public inquiry into the prevention of pollution from merchant shipping in the spring. The inquiry was announced at the beginning of the month after the Braer oil tanker disaster.

Appetite for importing goods worries economists

By Emma Tucker, Economics Staff

THIS WEEK'S news that UK imports rose to record levels in December has prompted the usual hand-wringing among economists.

How can it be, they ask, that after more than two years of recession the UK has been unable to curtail its appetite for imported goods.

They argue that the answer apparently lies in deep-rooted structural problems afflicting the economy. Sterling's devaluation may give a boost to exports in the short term, but is not enough to cure the country's addiction to imports in the long run.

"The UK has a chronic problem that isn't going to be solved by devaluation," says Mr Kevin Gardiner, economist at SG Warburg.

He says: "If we don't produce motorbikes, vacuum cleaners and fridges in the first place, simply chopping 15 per cent off the exchange rate is not going to solve the problem."

The latest figures bear this out. In December the visible trade gap widened to £1.74bn, its highest level for 2¼ years.

Last year the UK imported £120.55bn of foreign goods, but exported only £106.77bn. The shortfall was only partially alleviated by a surplus of £1.95bn on invisible items such as financial services, advertising, dividends and tourism, supposedly the strong point of UK exports.

The volume of exports is expected to increase in the next few months as UK goods benefit from the devaluation, but the consensus among economists is that the deficit on the current account will deteriorate further this year.

Historically recessions have depressed the inflow of imports as demand for foreign goods has slackened.

In previous economic downturns the decline in manufacturing output has been more or less mirrored by a decline in manufacturing imports.

In the third quarter of 1975, for example, manufacturing output fell by 11.1 per cent on the previous year, while manufacturing imports excluding oil and erratic items fell by 12.2 per cent. In the first quarter of 1981 output fell by 13.2 per cent and imports by 15.7 per cent.

This time imports have risen even before output has stopped falling. In the first quarter of last year manufacturing output fell by 2 per cent, but manufacturing imports rose by 5 per cent. In the fourth quarter the volume of manufacturing imports rose by 9.5 per cent year-on-year while manufacturing output is estimated to have been roughly flat.

Mr Gardiner believes the UK's inability to close the trade deficit is rooted in gaps in the manufacturing product range of the home market. The fact that imports are rising as a percentage of GDP could reflect an "acceleration in the rate at which UK manufacturers yield market share to foreign supply".

According to Mr Douglas McWilliams, chief executive of the Centre for Economics and Business Research, the UK's balance of payments prospects will continue to be affected by lack of manufacturing capacity.

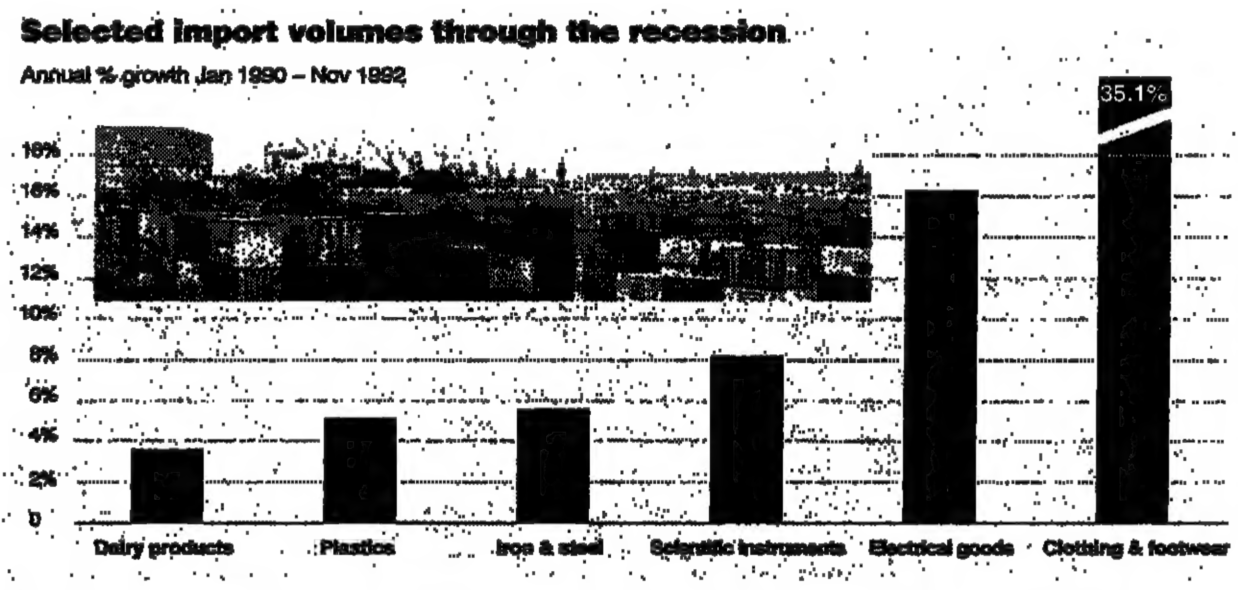
A study carried out by the centre shows that the UK's manufacturing capacity grew by 19 per cent between 1970 and 1990, compared with growth of 43 per cent in the other three larger European economies – Germany, France and Italy – 86 per cent in the US and 129 per cent in Japan.

He said: "Although there is substantial evidence that the quality of UK manufacturing is much improved, the small size of the base means that rates of GDP growth in the mid-1990s much above 2.5 per cent would land the UK back in serious balance of payments difficulties."

Perhaps the most worrying aspect of Britain's penchant for foreign goods is that rises in imports have occurred in almost every industrial sector.

Import volumes of iron and steel, for example, have risen by about 50 per cent since 1985, while imports of electrical goods have doubled. Clothing and footwear imports have also doubled since 1985. Even imports of dairy products and eggs have risen by 70 per cent.

It may be that the government is edging towards an "industrial strategy" that could eventually improve the UK's trade performance. The release of this week's trade figures coincided with an official trip by Mr John Major, the prime minister, to India and the Middle East, which he used to drum up business for UK manufacturers. In the Autumn statement the government increased export credit for potentially fast growing markets.



Small business doubts over banks

By Charles Batchelor and Our Regional Staff

SMALL business owners around the country appear confident that banks will pass on in full Tuesday's one percentage point cut in base rates. Yet they remain concerned about banks' willingness to provide finance for an economic upturn.

The accounts of the two thirds of business customers who borrow at rates tied to the base rate were adjusted with immediate effect, the main banks said, though customers will not see the impact until they receive their statements. The 1 per cent reduction was being passed on in full.

Mr Clifford Blake, chairman and managing director of Metal Spinners Group, a Newcastle upon Tyne manufacturer of metal components, said he believed the banks would pass on the cut in full.

The company, which has turnover of £8m and 110 employees, has noticed that its bank was applying tougher lending criteria.

Some businesses say they are suffering from banks' refusal to lend to certain sectors. Eagletrans, a Middlesbrough-based transport company with £1m turnover, has had to manage without a bank overdraft. It has grown by using finance houses to fund the purchase of vehicles, making repayments from retained profits. "As far as the banks are concerned we've got leprosy," said Mr Gordon Mitchell, managing director. "I don't think unless I signed my life away they'd be interested in giving me an overdraft."

At Caldene Autoland car showrooms in Tipton, West Midlands, general sales manager Mr Anthony Randall has sold 55 new cars this month, 23 more than his January target. "We are the victims of our own success," he said. Tight control of overdrafts made it difficult to obtain extra cash to restock.

Accountants confirmed that their clients had problems raising finance. Mr Charles Hatton, a partner in Moore Stephens at Southport, Merseyside, with more than 100 small corporate clients, said: "The only companies the banks will lend to nowadays are those which don't need it. Those which do are still finding it very difficult indeed."

Banks will typically lend only 50 per cent of fixed asset values and 30 per cent of money owed by customers, said Mr Charles Burton of the Bradford office of Haines Watts. This compared with 70 per cent and 50 per cent respectively before the recession began.

Declining property values have meant the actual money available is even less than first appears when compared with 1989 benchmarks.

Large relocation as MoD division goes to Bristol

By Andrew Taylor, Construction Correspondent

ONE of the biggest job relocations in the UK has been approved by the Ministry of Defence which is building to the north of Bristol a new headquarters for its military equipment purchasing arm.

The Defence Procurement Executive is responsible for spending more than £9bn a year for the three armed services and operates from "dozens of offices" in southern England.

The ministry said it will be more efficient to house the operations in a single development. The new headquarters will house 5,500 staff, of which about 1,000 are expected to be recruited locally.

Mr Jonathan Aiken, minister for defence procurement, said: "This ambitious project will provide not only a considerable stimulus to the local economy but also for the hard pressed construction industry which will be competing for the work." The Bristol region, which has strong aerospace industry links, has seen unemployment rise sharply as demand from civil aviation and defence industries has fallen. Unemployment in the region was close to 10 per cent at the end of last year. Mr Richard Workman, development control officer for Northavon District Council, where the new headquarters will be situated, said: "The two largest employers in the area are British Aerospace and Rolls Royce. We are delighted to have been given this opportunity to create new jobs to replace those which have been lost."

Another 1,500 jobs are likely to be created during construction, which is expected to start this spring and be completed by autumn 1995.

The headquarters of 10 buildings is expected to cost more than £100m to build.

Bill on independent press body wins second reading

By Ivor Owen, Parliamentary Correspondent

A PRIVATE member's bill seeking to establish an independent press authority to secure "due accuracy" by newspapers and periodicals was given a second reading by 119 votes to 15 in the Commons yesterday.

The bill was described as "premature and misconceived" by Mr Robert Key, the junior heritage minister, and a procedural manoeuvre by some Conservative backbenchers to block its progress was defeated by 129 votes to 11.

Mr Clive Soley, Labour MP for Hammersmith and chief sponsor of the bill, underlined his willingness to accept amendments supporting press freedom when appealing for co-operation from newspaper editors at a press conference after the debate.

The bill has only a remote chance of reaching the statute book because of the number and scope of amendments that have to be considered during the line-by-line committee stage.

The government's dissatisfaction with the existing Press Complaints Commission was reaffirmed by Mr Key, who made it clear that ministerial reluctance to establish a statutory regulatory body, as recommended by Sir David Calcutt in his recent report, did not mean it had been ruled out.

The government will take into account press response to Sir David's criticisms and the views expressed in the debate on the bill and in the forthcoming report by the Commons heritage committee on privacy and media intrusion before reaching conclusions about a statutory regulatory body.

In response to questions at the press conference Mr Soley warned newspaper editors that unless they co-operated in getting "something like my bill" on the statute book they risked legislation on privacy without any counter-balancing measure on press freedom.

Drug companies warned of south-east skill shortage

By Paul Abrahams

PHARMACEUTICALS companies in the south-east of England face skill shortages in spite of the recession, says a report to be published next week.

The report says some companies in Hertfordshire are having problems recruiting people with appropriate skills, training and experience, though the companies insist there is no recruitment crisis.

The report concentrates on Glaxo, SmithKline Beecham, Merck and Roche, which plan to increase their total staff in the county from 5,500 to 8,000 by the mid-1990s.

Glaxo, which is building a £500m research and development centre in Stevenage, believes it may have problems finding people with good A-levels and post-doctoral qualifications in chemistry.

The study estimates that 10 per cent of senior managers and post-doctoral scientists employed in the sector come from Hertfordshire. This compares with half of the technicians and all the clerical and manual workers.

The shortage is due to declining numbers of young people and less interest in science. Only 12 per cent of pupils taking A-level and GCSE science examinations had any interest in employment in the sector.

Glaxo executives say this is because local schools have tended to teach engineering-orientated subjects rather than chemistry.

Many pupils in the area have been potential recruits for the aerospace industry, a large employer in Hertfordshire, although there have recently been redundancies.

A decline in engineering companies in the county does not mean redundant engineers can switch into the pharmaceuticals industry, warns the report. The local workforce is highly skilled, but not necessarily in the right areas.

Health and Wealth? Michael Breheny and others. South East Economic Strategy. 0279 44 64 89

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A hint of nostalgia

AFTER MONDAY'S surprise cuts in bank base rates from 7 to 6 per cent, Britain is enjoying the lowest nominal short term interest rates for 15 years. The comparison is evocative. In 1977 the country was perceived to have an appalling balance of payments problem, a huge burden of public sector debt and a banking system that was struggling under the impact of a property market crash. *Plus ça change*. Yet with hindsight the gloom was hopelessly overdone.

The balance of payments was necessarily in deficit in the 1970s, as investment built up in the development of North Sea oil. Despite all the talk of strikes by investors in the gilt market, the Bank of England demonstrated an unexpected flair for marketing 57 varieties of government IOU. In the event, the late 1970s turned out to be that rare thing, a period of successful export-led growth, which came just as the world was about to make the transition from inflation to disinflation. Could the early 1990s also turn out to be better than they felt at the time?

The case is easier to make than a spate of gloomy recent economic statistics might suggest. As in the late '70s, the high current account deficit is in part a reflection of high business investment. Instead of North Sea oil, Britain now has inward Japanese investment, especially in the motor industry, which is only beginning to build up export impetus. And it is possible to detect a silver lining even in Thursday's dismal trade figures, since the buoyancy of imports owes much to the investment-related inflow of intermediate and capital goods, which are up 15 per cent and 10 per cent respectively on the year.

Poor response

As for the government's funding position, it is clearly uncomfortable, even in a world now largely devoid of exchange controls. Estimates for the public sector borrowing requirement in 1993-4 range upwards from £50bn, while total annual institutional cash flow, most of which normally goes into equities, is a little under £50bn. The poor response to the government's gilt-edged auction this week carried a notable echo of the 1970s. Yet if the government confronts an investors' strike, its wounds are partly self-inflicted: it persists in applying the so-called full funding rule, whereby the PSBR has to be financed entirely from outside the banking sector.

A safe prediction for 1993 is that this funding rule will prove no more durable than the government's commitment to the Exchange Rate Mechanism. And it would make sense to be rid of it sooner rather than later. The threat of inflation, on which the rationale for the rule rests, is greatly overstated in the government's rhetoric when its own figures show that the broad M4 definition of money actually shrank in December and dropped out of its 4-8 per cent monitoring range.

Strict proviso

In an economy that has suffered two years of shrinking output, the need for further cuts in interest rates is blindingly obvious. Even after the recent weakness of sterling, the exchange rate is still less competitive than in the second half of the 1970s. And by offering a steeper yield curve, whereby short gilt rates are substantially below long rates, the government would be offering the banks a means of recapitalising themselves by making low risk profits, just as the US banks have done.

Encouraging banks to buy gilts would not only stop the shrinkage in broad money, since reduced sales of gilts to the non-bank institutions would lead to more deposits in the banking system; it would also give a fillip to bonds and equities, thereby reducing the cost of capital to industry and commerce.

There is, however, one vital respect in which this rosy scenario remains strictly conditional. In the 1970s the International Monetary Fund was there to impose a tight fiscal embrace on the Labour government. Today, although the PSBR is heading for comparable magnitudes as a percentage of GNP, the IMF is absent. This matters, because if export-led growth is not to run into a balance of payments constraint and, ultimately, a renewed upsurge in inflation, the government has to rebalance policy to ensure that aggressive monetary relaxation is matched by a courageous fiscal policy designed to address the structural element of the budget deficit. Nothing, alas, in the recent record suggests that the government is up to the task.

The committee and the colliers

GIVEN THAT it only had 90 days to complete its work, the select committee's report on the coal industry is a thorough enough analysis of a tortuous subject. Possibly more important, it strives to be free of political bias, which means that Mr Michael Heseltine will be obliged to take it seriously as he formulates his own proposals for next month's White Paper.

That is a pity, because the package of subsidies and other regulatory measures which the MPs propose is greatly in excess of what is required to bring sense to the UK energy scene. If fully implemented they would add to the thick layers of aid and protection which have been granted over the years. Who can believe yet another promise that one last heave will get a state-owned British Coal up on its commercial feet?

A simple example illustrates this: the report not only recommends a five-year subsidy programme costing up to £500m to enable British-mined coal to compete with imports. It also suggests that electricity distribution companies be obliged to buy power generated from domestic coal on pain of losing their licence. If the proposed level of subsidy is sufficient to make British coal competitive, why this second measure? Answer: because no-one really believes the figures.

Other adjustments

The report's 39 recommendations reveal unwillingness to face the facts that stared the government in the face when it proposed to cut coal last autumn. Tinkering with one part of the energy market merely creates a need for compensating adjustments all down the line. There is also a worrisome proposal that the electricity industry regulator should have the power "to consider the legitimate long-term interests of indigenous fuel producers" – another open invitation to allow producers to inflict higher than necessary costs upon UK industry and consumers.

All this suggests that while the overt subsidy may amount to £500m (a relatively small figure compared with many that have been mentioned), the hidden costs in perpetuating the present arrangements will be much higher. It is disingenuous of the committee to claim that the cost can be borne by redirecting the proceeds of the levy which subsidises the nuclear industry. This device would only throw nuclear's costs on to the Treasury and thus the taxpayer.

Since, however, the political realities make subsidy inevitable there is some comfort to be drawn from the committee's desire at least to limit financial support for British Coal in size as well as time. The continuation of subsidies would be linked to progress in cost-cutting – though the report does not spell out how this would work, nor what would happen if British Coal fell behind its targets.

Sense of realism

The committee has also wisely resisted the temptation to cut back the natural gas industry, having failed to discover decisive evidence in the arguments of the coal lobby that gas is much costlier than coal. In addition, it has left the capacity of the nuclear power industry untouched, believing that the nuclear review which the government has already promised should be allowed to run its course, albeit next year rather than in 1994.

There is also realism in the committee's refusal to recommend barriers against imports, though it does nurse hopes that government can do something to reverse the flow of electricity from France through the Channel link. This sits ill with the leading role that Britain is playing in trying to open up and liberalise the EC's single market in energy.

The political importance of the report is that it tells Mr Heseltine the number of jobs and pits the House of Commons expects him to save. He should counter this offer with a proposal for wholly transparent subsidies, a tighter timetable, and as few as possible ancillary controls.

He should also pick up the committee's anxieties about the duopolistic tendencies of PowerGen and National Power, which resulted from a flawed privatisation and which will in the end need to be countered either by firmer regulation or break-up. But above all, Mr Heseltine should announce that British Coal will join the private sector and be subsidy-free by the next election in 1996-97.

Life gets tougher at the top

The exodus of bosses signals a crisis in big companies and a new willingness by owners to act, writes Peter Martin

Here's the bad news: big, old-established companies everywhere face a slow, long-drawn out crisis, from which many will not recover. Here's the good news: in English-speaking countries, at least, those companies' owners are now refusing to take the crisis lying down.

Together, these facts lie behind the abrupt departures this week of bosses at IBM and Westinghouse in the US, Lasmo in Britain, and Canada's PetroCanada, and a string of recent resignations in big companies, ranging from the UK's British Petroleum to Australia's Westpac, General Motors in the US, and Canada's Royal Trust.

The crisis of the large corporation creates an urgent need for change at the top; a revolutionary change in the attitudes of investors – and of the non-executive directors who represent them – is what makes the change possible.

Big companies are in crisis for a host of reasons. One is, simply, age: most developed-country economies are still dominated by the companies that first achieved national leadership in their markets a century ago. They are managed on a model which dates back to Alfred Sloan's General Motors.

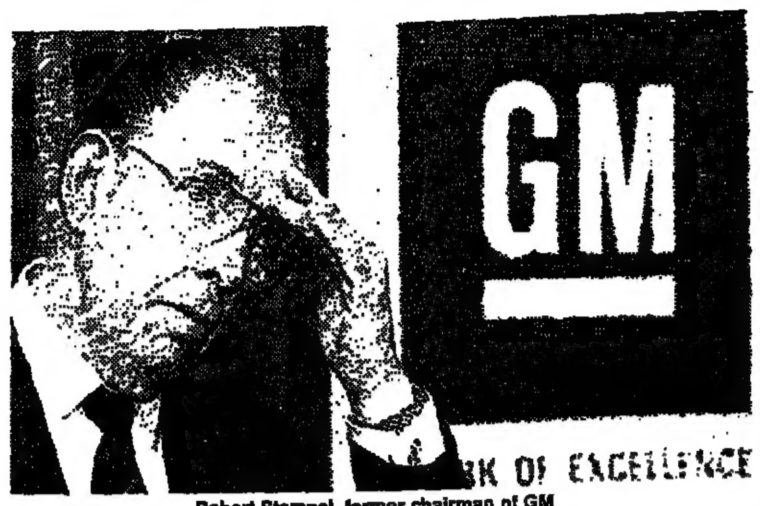
A corporate culture with its roots in the 19th century is thus, in many companies, combined with a management structure that dates back to the 1920s. Not surprisingly, many such businesses cannot cope with a wave of pressing problems:

- Global competition is now a reality in many sectors, spelling an end to protected domestic markets and safe, reliable profits.
- The lean production system, pioneered by Japanese car makers, requires a complete transformation of manufacturing and distribution techniques – and may in time pose a similar challenge to service-sector companies as well.
- The microprocessor wipes out the competitive advantages of companies relying on (or selling) older generations of computing equipment. More generally, today's vast, cheap information flows make the traditional management hierarchies of large companies obsolete.
- Economies of scale, the solid foundation on which big companies have based their dominance for decades, may no longer be an overwhelming advantage. Changes in information technology, in the financial system, in flexible production techniques, in the growth of companies offering all-comers the distribution and support systems which previously only the largest companies could afford – all these are nibbling away at the advantages of economies of scale. The diseconomies of scale – communications overheads, inflexibility, the not-invented-here syndrome – are becoming increasingly clear.

In the long run, these problems may prove more than many old-line companies can cope with. Their owners are increasingly unwilling to accept that as inevitable, however. In the English-speaking business world, their unhappiness is starting to have a clear impact on the executive suite.

This week, for example, John Akers stepped down as chief executive of IBM; James Robinson left the same job at American Express; Paul Lego went as chief executive of Westinghouse; Chris Greentree resigned as chief executive of Britain's Lasmo; and PetroCanada's chief executive, Wilbert Hopper, was "relieved of responsibilities".

In the UK alone, the past year has seen some 25 British senior executives leaving their companies unexpectedly, usually under the pressure of poor corporate performance. In the US, where the cult of the "imperial" chief executive had left many bosses in impregnable positions, the number of departures has speeded up recently.



Robert Stempel, former chairman of GM


Chris Greentree


Paul Lego


John Akers


Robert Horton

The pattern was set, last year, by the resignation of Robert Stempel as chairman and chief executive of General Motors, perhaps the most ossified of America's industrial dinosaurs. Others are departing in his footsteps.

What has brought about this new lack of tolerance for poor performance, on the part of investors and corporate boards?

From the investors' point of view, the past few years have produced growing dissatisfaction with the traditional remedies for poor corporate performance. Takeovers once provided a possible exit, but they have largely dried up. Market forces are not the only cause for this: in the US, legal changes have slightly tilted the balance of advantage towards a defending company. In any case investors feel a lingering regret over some of the takeovers they have allowed.

Simply selling the shares, the other traditional remedy, is also seen as less attractive. A growing recognition, on the part of many shareholders, that they are locked into holding a stake in the biggest companies has made them more interested in obtaining the best performance from those companies.

Although in principle investors have more freedom of choice over shares in medium-sized or small companies, in practice they feel just as trapped, said one UK institutional fund manager this week, by the lack of liquidity in such stocks. Selling out a significant stake becomes unthinkable, because to try to do so would move the price too far against you.

That has led investors to try harder to influence the companies of which they are shareholders. Just as important, corporate boards are starting to respond.

The mechanisms are different on the two sides of the Atlantic. In the UK, the intimate, clubby nature of the City has always allowed investing institutions to keep in touch with each other informally. They have traditionally preferred to exercise influence in the same way, over lunch or drinks with directors. Now, though, there is a growing tendency to act through letters or meetings with the company.

Institutions still prefer to act individually, rather than as members of a group, but the cumulative effect of a series of such meetings can be powerful. And power is closely concentrated: a survey of top corporate pension funds by the 100 Group of finance directors showed that six external money managers and five internal managers handle 55 per cent of their funds.

Because the typical British company has a non-executive chairman, there is an obvious point of contact for investors wishing to complain about the performance of the chief executive. In the US, where a big company's chairman is usually also its chief executive, it has been harder for investors to find an independent but influential figure to complain to.

There have traditionally been other disincentives for action in the US. The legal structure was for a long time tilted against shareholder action, both because managers were allowed wide freedom of action under corporate law and because large shareholders were legally discouraged from circulating material to each other about a company. A much less concentrated money management industry than in the UK, geographically scattered and divided between incompatible private-sector and public-sector camps, was also unable to bring influence to bear successfully.

Many of these factors seem to be changing. First, says Martin Lipton, of Wachtell, Lipton, the US corporate law firm, institutions have shifted their attention from the mechanics of corporate governance towards basic performance. This has given them much greater impact, because whereas the previous area of debate – about whether companies should be allowed to erect takeover barriers, for example – allowed plenty of scope for honest disagreement, the new one is much less ambiguous. It is hard to disagree, for example, with complaints about the management of a company which loses nearly $5bn, as IBM did last year.

Money management is becoming more concentrated, and some of the biggest funds, such as Calpers, the California state employees' pension funds, are starting to take a more intimate interest in the companies in which they invest. The legal framework has also shifted, in part to respond to complaints that unfettered company bosses are paying themselves too much money. The Securities and Exchange Commission has allowed shareholders to communicate more freely, and the judiciary in Delaware, where most big American companies are registered, has been emphasising the duty of the board to keep management under review. Directors are starting to worry that they may face shareholder class-action suits if they fail in this duty.

As a result, non-executive directors have been fumbling towards a mechanism that allows them to respond to complaints from shareholders. The typical pattern is for a leading non-executive member of the board – perhaps a retired chief executive from another big company – to take the lead, perhaps by obtaining the chairmanship of a committee specially set up to watch over incumbent management. He or she may orchestrate the departure of the chief executive, and will then head the search for a replacement, perhaps standing in as chairman for an interim period.

At one stage, the UK's Cadbury committee on corporate governance seemed about to institutionalise such a role at those British companies where the chief executive is also the chairman. In its final report last year, it stepped back from this suggestion, but continued to emphasise the desirability of a non-executive chairman. Institutions now seem inclined to demand this of every company where there is a problem with earnings.

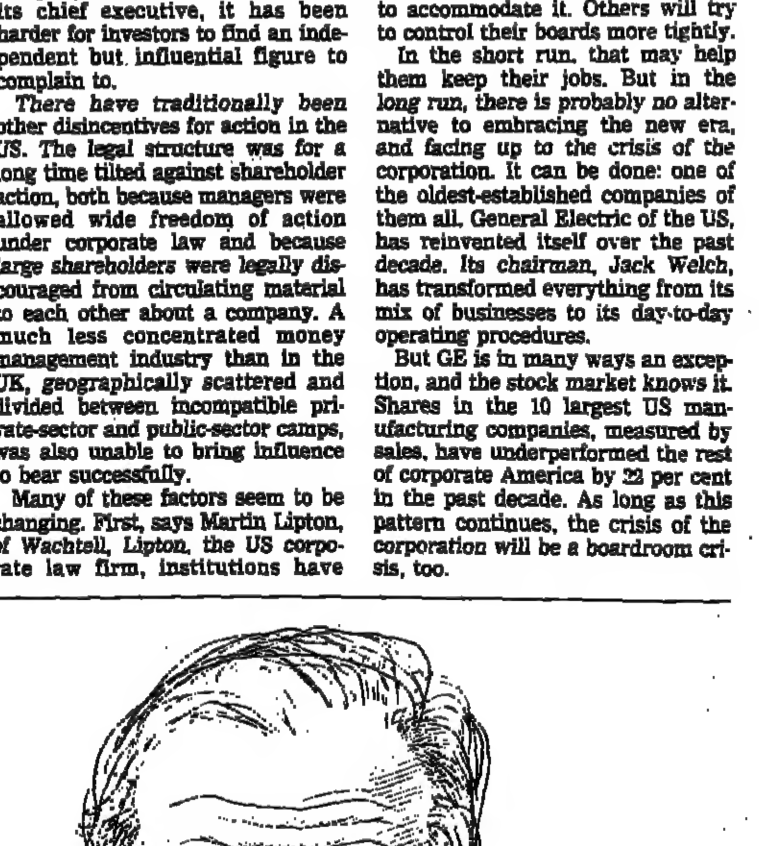
US chief executives have the choice of two possible responses to the wave of executive departures, says Professor Jay Lorsch of Harvard Business School. The better ones will welcome greater accountability, restructuring their boards to accommodate it. Others will try to control their boards more tightly.

In the short run, that may help them keep their jobs. But in the long run, there is probably no alternative to embracing the new era, and facing up to the crisis of the corporation. It can be done: one of the oldest-established companies of them all, General Electric of the US, has reinvented itself over the past decade. Its chairman, Jack Welch, has transformed everything from its mix of businesses to its day-to-day operating procedures.

But GE is in many ways an exception, and the stock market knows it. Shares in the 10 largest US manufacturing companies, measured by sales, have underperformed the rest of corporate America by 22 per cent in the past decade. As long as this pattern continues, the crisis of the corporation will be a boardroom crisis, too.

Making the leap out of the lap of luxury

Under Helmut Werner, its next boss, Mercedes-Benz is expanding its product range, says Kevin Done



At first glance Helmut Werner does not look like a revolutionary.

The urbane 56-year-old has worked himself up German industry's corporate ladder with apparent ease, but little in his career has suggested that he would be the man appointed to break the mould at Mercedes-Benz, the world's most prestigious luxury car maker.

This week, however, Werner announced that Mercedes-Benz had decided to embark "on a very extensive realignment of its strategic product policy".

The company would transform itself from "a car manufacturer with a long tradition in the luxury class" into "an exclusive full-line manufacturer offering high-quality vehicles in all segments of the market", said Werner.

Before the end of the decade there would be a Mercedes-Benz people carrier, or multi-purpose vehicle *à la* Renault Espace or the Toyota Previa. There would be a modern four-wheel-drive leisure utility vehicle for off-road driving. And there would be a small Mercedes-Benz city car for urban commuting. These would be in addition to the present three ranges of luxury and executive cars.

Almost in passing Werner uttered what for a previous holder of his office would have been heresy: Mercedes-Benz's present luxury cars were "over-engineered" and, if the company persisted with its policy for developing new models, it would be "priced out" of world markets.

He made it clear that the only way Mercedes-Benz could maintain its engineering and quality leadership was if it could also achieve leadership on cost.

Gone are the days, apparently, when the charging of premium prices could cover up for costs that were too high. "No one in the world is prepared to pay for German complacency on the cost front," said Werner, in a message guaranteed to chill the company's overmanned workforce.

Werner does not officially take over as chief executive of Mercedes-Benz, the automotive subsidiary of Daimler-Benz, Germany's biggest industrial corporation, until late May, but he hit the road running this week.

Werner's brave new world will not be won without pain. He accepts that Mercedes-Benz lags behind rivals on costs and productivity

He needs to, in order to meet the challenges the company faces in the 1990s. After more than a century during which its three-pointed star has been one of the world's ultimate status symbols, Mercedes-Benz has been shaken by the arrival in force of the Japanese car makers in the world luxury car market.

From a standing start in late 1989, Toyota, Japan's leading volume car producer, has established a luxury car franchise in the US under the brand name Lexus. Last year it sold 92,890 cars in the US, against 63,312 sold by Mercedes-Benz.

The German group has also been stung into action by the strength of the negative reaction to its new S-Class range of luxury saloons, launched with much pomp two years ago in Geneva. The company had laboured for five and a half years to develop a successor for its previous 11-year-old S-Class but, by the time it arrived in the marketplace, its bulk made it appear out of tune with an era that was already forsaking conspicuous consumption for other values.

Another raw nerve was touched in Stuttgart, with the publication of the Massachusetts Institute of Technology's $5m, five-year study on the future of the automobile, entitled The Machine That Changed The World. The report exposed the gap in efficiency, costs and quality between the so-called "lean" car producers, chiefly although not exclusively the Japanese, and the outdated mass producers, mainly the European and American producers.

The MIT team had visited a Mercedes-Benz plant in Germany. "At the end of the assembly line was an enormous rework and rectification area, where armies of technicians in white laboratory jackets laboured to bring the finished vehicles up to the company's fabled quality standard."

The team found that "a third of the total effort involved in assembly occurred in this area. In other words, the German plant was expending more effort to fix the problems it had created than the Japanese plant required to make a nearly perfect car the first time".

Werner's cultural revolution is now set to address such shortcomings.

The first signals that significant reforms were planned had emerged over the past year, as Mercedes-Benz had shaken up its top management team. Helmut Werner himself is the replacement for Werner Niefer, the 64-year-old Mercedes-Benz chairman.

Niefer, the pugnacious former Mercedes-Benz apprentice with an often incomprehensible Swabian accent, had worked himself up from the shopfloor to the top of the company. Werner, on the other hand, has the easy flair of an international manager.

The executive was courted by Volkswagen while he was deputy chairman at Continental, the German tyre maker. He chose instead to move to Mercedes-Benz at Stuttgart, where he was immediately seen as one of the heirs apparent.

Around him Werner is quickly gathering a new generation of managers who mark a decisive break with the past. They include Dieter Zetsche, the 39-year-old director for car research and development. Balding, with a walrus moustache and a liking for brightly coloured ties, Zetsche has replaced the reserved and conservative Wolfgang Peter, the creator of the S-Class, who left the company last year.

However, Werner's brave new world will not be won without pain and dislocation. He accepts that Mercedes-Benz still lags way behind its rivals in costs and productivity.

Fixed costs are "still appreciably too high", layers of management are to be removed, there will be a "rigorous pruning" of white-collar central staff. The life-cycles of Mercedes products have to be reduced to about eight years from 11 years, while the development time for new products has to be cut from up to 57 months to less than 44. And the break-even volume for a vehicle line must be reduced to 60,000 a year.

Now that he has unleashed his revolution, Werner must show that he can ride it.

Hat trick for British Aerospace

Europe's largest defence contractor hopes it has restored credibility with a £5bn Saudi order for Tornado aircraft, says **Paul Betts**

The Tornado

Results by sector £m	Sales 1991 full year	Sales 1991 2nd half end Dec	Sales 1992 1st half end Jun	Operating profit (loss) before interest 1991 full year	Operating profit (loss) before interest 1991 2nd half	Operating profit (loss) before interest 1992 1st half
Defence systems	4,036	1,918	2,021	500	281	296
Commercial aircraft	1,651	839	659	(37)	(32)	(286)
Motor vehicles	3,744	1,863	1,651	(52)	(43)	(31)
Property development	287	8	30	(24)	(5)	(6)
Construction	592	307	314	40	20	12
Other businesses & headquarters	252	155	157	(73)	(35)	(14)
Less: intra-group	(550)	(204)	(204)	–	–	–
Total	10,562	4,886	4,628	354	186	(29)

Mr Dick Evans, BAe's chief executive, was in high spirits yesterday afternoon.

"I feel above all a sense of relief," he said, slouched in a chair in the company's offices near London's Charing Cross Station. "I've consistently been in a minority of one, telling the world we would do this deal," he added. He was referring to the £5bn defence contract for 48 more Tornado combat aircraft and other equipment signed with Saudi Arabia on Thursday by Mr John Major, the prime minister.

With the big Saudi order, BAe has managed to clear in the space of two months the three biggest uncertainties which had been clouding its future as Europe's largest defence contractor and one of its principal commercial aircraft manufacturers.

The three "home runs" as BAe calls them – the compromise with Germany in December enabling the European Fighter Aircraft programme to continue; the partnership signed last week with Taiwan in the regional jet business; and the Saudi Arabian order for Tornado aircraft – have now dramatically changed the investment community's sentiment about the company.

BAe's share price has more than doubled in the past six months from a low of 100p to 253p at yesterday's close. But although the company appears to have confounded its many doubters, it is not yet entirely out of the woods.

Mr Evans underlined the point when he said: "I don't want anybody in the company to run away and think that we can now sit back and lean on our shovels."

All its main activities, from defence to commercial aircraft, from cars to property, are still in depressed markets with few signs of imminent recovery. It is also still a long way from restoring its profitability, badly dented by its diversification and takeover binge of the late 1980s following its privatisation.

But Mr Evans said BAe had now at least been given some stability. "We can now begin the process of regaining some credibility," he added, emphasising that the priorities were "to keep the business under tight control and weather out the recession while we continue developing alliances to give greater robustness to the group".

He candidly admitted that BAe had gone through a rough time. "No doubt about it, management last year faced up to a hell of a jolt and we've had a particularly difficult 18 months.

"What brought BAe down to its knees in the first place was that five- to six-year period when it suffered massive cash outflows because of what was clearly an unsustainable investment rate," said Mr Keith Hodgkinson, aerospace analyst at the investment house of Shearson Lehman.

While having to face the difficulties of an extremely tough business climate, it has also had to confront the internal traumas of a highly publicised top management shake-up following the boardroom coup to force out Professor Sir Roland Smith as chairman 16 months ago.

The appointment last May of Mr John Cahill, the former chief executive of BTR, the UK industrial conglomerate, as chairman did little at first to retore morale and confidence inside Britain's biggest exporter of manufactured goods. As if the company did not have enough troubles of its own, in June Germany dealt BAe a body blow by threatening to pull out of the four nation EFA project.

Even after the new chairman announced a recovery programme, involving the restructuring of the company's loss-making commercial aircraft activities, the closure of its historic Hatfield aircraft manufacturing plant near London, and more job cuts (the company lost 13,400 people in 1991 and has announced an additional 8,000 job cuts last year), the City of London and BAe's shareholders remained unimpressed.

Mr Evans said at that time BAe had to address the three critical issues of the future of EFA, securing a new Saudi order, and resolving the problems of the regional jet business, to set in motion the recovery strategy aimed at cutting losses and refocusing BAe on its core defence, aerospace and car-making ties.

The compromise with Germany over EFA, now rechristened Eurofighter, and the long-awaited Saudi contract have underpinned the future of BAe's profitable military aircraft business. "If we had not received the Saudi order we would have had to shut down completely the Tornado line in a couple of months' time," explained Mr Evans. "We can now also plan sensibly our medium-term production before EFA production comes on stream," he added.

The partnership with Taiwan Aerospace has also ensured, for the time being at least, the future of BAe's presence in the regional jet market. It will also enable the company to address the next stage of its commercial aircraft restructuring.

BAe will now be able to release some of the £750m restructuring provisions it made in its accounts last year largely to cover a possible total shutdown of regional jet activities for the restructuring of its turbopropeller commuter aircraft business. The company is already considering an alliance with other partners and contacts are believed to have already begun with the Franco-Italian ATR turboprop commuter aircraft group.

Mr Evans remains confident of the longer-term prospects of Airbus, the European commercial aircraft maker in which BAe has a 20 per cent stake. "The trouble with the civil aircraft business is that it follows sod's law: we know the market will turn around but we don't know when, and when it happens the industry will not be able to keep up with the demand," he said.

Also at Rover, Mr Evans is waiting for the car market to recover. "When it does, I think Rover will turn the corner," he said. Rover continues to be heavily dependent on the depressed UK car market and its challenge will be to improve its penetration of the continental European market. The company is now pinning big hopes on the launch in April of the new Rover 600, a medium-sized family saloon which will complete the new Rover car range. "April will be enormously important for Rover, and with the 600 we will be taking on the BMW3 series head to head," Mr Evans added.

BAe is also continuing to review possible disposals of assets which do not fit its refocused strategy. Some parts of its property business could be hived off, although Mr Evans said the company was in no hurry and would not sell at any price.

The same applies to the space division and to the corporate jet division. Both were put up for sale last year, but BAe has now decided to hold on to these activities because it failed to receive any sufficiently attractive offers.

Restoring credibility in the group has become all the more important as BAe continues to explore new alliances and partnerships at a time of growing consolidation in the defence and aerospace industries.

Having already established close links with the German and US aerospace industries in military aircraft programmes, BAe is anxious to build up strong relations with the French industry now in the throes of restructuring. "It was a tragedy France did not come in on an European military aircraft programme and our company has to have a better working relationship with both Aerospatiale and Dassault of France," Mr Evans said.

The triple breakthrough on the Saudi, EFA and Taiwan fronts may now also reduce the prospect of a takeover. At the time of BAe's management crisis in 1991, the General Electric Company was widely tipped as a likely bidder. With the share price recovering and the company showing renewed confidence, some analysts suggest GEC may have now missed its opportunity and become "a victim of its own over-cautiousness", in the words of one.

Others, however, believe GEC is still waiting in the wings to strike and was not prepared to move until BAe clinched the new Saudi deal.

Mr Evans did not seem very concerned. "We and GEC need each other. In some small cases we compete but much of the time we are complementary," he explained. As for the possible intentions of Lord Weinstock, GEC's managing director, on BAe, Mr Evans simply said: "My guess is that Arnold Weinstock is delighted to see we have turned the corner and got to grips with some of our problems."

Raymond Snoddy examines new figures on who's listening to what on British radio

All ears tuned to revolutionary research

Television may be the dominant broadcasting medium in Britain, but millions of pairs of ears still regularly tune in to radio.

The first joint radio research covering both the BBC and the commercial stations shows that more than 41.5m adults – 89 per cent of the country's total – listen to radio at least once a week.

The research by Radio Joint Audience Research (Rajar), based on 56,000 listeners keeping detailed diaries over a three-month period, gives Classic FM, Britain's first national commercial radio, a weekly audience of 4.25m or 9 per cent of the total. Rather more surprisingly, Atlantic 252, a long-wave interloper broadcasting pop music from Ireland, had 3.8m adult listeners in its official survey area, which covers about 70 per cent of the UK.

In the battle between the BBC and the commercial stations the corporation is still ahead with the help of its big guns: the five national channels from Radio 1 to Radio 5. Altogether the BBC has 69 per cent of UK adults listening at least once a week and accounts for 58.4 per cent of total radio listening. Fifty three per cent of the adult population now listens to some form of commercial radio each week and the sector has a 37.8 per cent share of all listening.

But more important than these revealing figures is the fact that the Rajar research exists at all. For years the BBC and the commercial sector have produced separate listening figures using different methods; and then they have squabbled about the results. They wanted to end the confusion so set Rajar up last year.

Now, a benchmark has been set for advertisers buying airtime and for those wondering whether BBC Radio provides value for money.

On Wednesday, the Association of Independent Radio Companies had a tricky decision to take at its annual meeting. Should the companies agree that the Rajar findings should be published, even though the news for some may not be good and there may be "glitches" in the first of what will be quarterly reports?

The decision to publish immediately was virtually unanimous, even though the disclosures might involve rough justice for a number of stations whose listening figures appeared to be surprisingly low.

"I think that shows great maturity and robustness of confidence in the medium," Mr Jimmy Gordon, managing director of the successful Radio Clyde group, said yesterday.

The results, particularly for local stations, appear to be lower than previous figures compiled separately. Mr Richard Eyre, managing director of Capital Radio, agrees that the industry should be given credit for having the courage to publish, but added: "It is surprising that the result should deliver a blow that is greater to ILR (independent local radio) than it is to the BBC."

The arrival of the first common currency for radio ratings in the UK comes at a turning point for the radio industry.

The BBC, under its new director-general, Mr John Birt, is in the middle of redefining what its role in radio should be as the debate gets under way with the government on the renewal of corporation's royal charter. It runs out at the end of 1996.

For the commercial companies offering a total of 140 radio services on both AM and FM the challenge is different and larger. The task is to break away from the reputation of commercial radio as a bit of an also-ran in the media stakes, doomed to be a 2 per cent medium – taking a share of about 2 per cent of all UK advertising revenue and reliant on the growth of overall spending on advertising for their own growth, rather than increasing their share.

Radio revenues from advertising last year are expected to be between £130m and £140m with opinion divided on future prospects. Some in the industry believe a "quantum leap" in advertising revenue is possible with the arrival of new national commercial stations, but others believe the growth will be more gradual.

On the face of it the numbers look pessimistic. Since 1979 the number of hours of commercial radio has grown by more than 55 per cent, yet its share of advertising revenue has remained static.

Mr Douglas McArthur, chief executive of the new, independent Radio Advertising Bureau, believes this can be changed and has set himself a target of doubling radio's share of national advertising by 1996.

Mr McArthur, who has put together a team of radio research and planning specialists, Sound Planning, to work with companies which have not been regular users of radio advertising, had a small piece of good news for his colleagues this week.

After two weeks of working with the Unilever brand, Batchelors Cup-a Soup, on Wednesday morning Unilever decided to buy airtime.

"By the end of this year, Sound Planning will have delivered at least £2m to stations and I aim it to reach a rate of £5m per year," Mr McArthur said.

The Advertising Association is forecasting 8 per cent real growth in radio advertising revenues this year followed by 5 per cent in 1994. Zenith, the large media buyer, is more pessimistic and foresees little real growth.

With Classic FM successfully launched the industry hopes that the launch of the second national commercial station (INR 2) in April – Virgin Radio, devoted to popular music – will further stimulate advertisers and listeners' interest. The third scheduled national commercial station, which will be speech-based, has been delayed until 1995 because of the recession.

In the meantime, Mr Eyre of Capital has decided to launch "INR 4". This is a proposal to market the existing ILR stations as a network so that an advertiser can buy into all of them at a particular time of day or into a particular type of programme. "I'm cautiously optimistic," says Mr Eyre, who believes it is possible to double radio's share of national advertising by 1996.

While the commercial stations are preoccupied with attracting advertising, the BBC has set itself a different task. It aims to develop "recognisably distinctive and innovative services". For Radio 1, for example, the emphasis will be on range and diversity of music rather than just playing what is most popular. A 24-news and current affairs network is planned for next year.

An example of how the BBC plans to differentiate itself from its commercial rivals came this week in London. GLR, the regional station for London, increased the proportion of news and current affairs during its peak listening hours.

As commercial broadcasters were speaking yesterday of the rather unpalatable survey results, it was clear that it will be some time before an accurate trend is established and all the glitches removed from the new survey.

Over at the BBC it was Mr David Hatch's last day as managing director of BBC Network Radio before becoming special adviser to Mr Birt. "It is remarkable and a credit to our producers, writers, musicians, actors and broadcasters that over 60 per cent of the British public listen to one or more of the five BBC networks each week," Mr Hatch said.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Interest cuts overlooked

From I R Ferguson.

Sir, The soundings you take from the Treasury's advisory panel on the wisdom of further interest rate cuts (January 22) and the wider discussion of the issue, perhaps overlook one significant point.

Many mortgage holders have policies on which interest payments are adjusted annually. Only now are the 1992 interest rate cuts working through. The resulting substantial changes in monthly outgoings can be expected to give a big boost to consumer confidence and spending. Combined with the need to eschew additional inflationary pressure from sterling depreciation, this would seem to justify a cautious approach to further rate cuts.

I R Ferguson,
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Education needs government to adopt 'hands off' policy

From Mr Michael Ross.

Sir, Joe Rogaly's praise of the government's persistence with its "sensible" education reforms ("Less than the sum of its parts", January 26) suggests he has been taken in by the gloss rather than the reality of the reforms.

Will employers see it as sensible next year when grades C, D and E, which are the grades obtained by the majority of 16-year-olds, are squeezed into national curriculum levels 6 and 7, involving the abolition of the useful C/D boundary?

Do parents think it is sensible that the last age cohort which has *not* been following the national curriculum in English in secondary schools will be the first examined on it next year? Or that the reports for 14-year-olds this year will contain some 69 grades for every pupil? Some may even question the legality of testing 14-year-olds at levels 3-6 on Shakespeare when the statutory orders clearly specify level 7 as the first level at which this can be applied.

The well-established examination boards have strict moderation procedures for speaking and listening, give schools 24 months' notice of examination texts, and maintain strict security over examination papers. Will they think it sensible that they are criticised by a government whose own examination body, SEAC, has no inter-school moderation procedures for speaking and listening, gives schools six or eight months' notice of examination texts, and seems to have been planning to use its pre-test papers as the actual exam? The procedures of the established boards are light years ahead of the government's own procedures as reflected by SEAC.

The truth is that this government has alienated the profession to an unprecedented degree. The legacy of years of not listening to the profession is an administrative shambles. The sensible policy for the government to adopt would be a "hands off" approach, and re-establishment of the GCSE in its pre-national curriculum form.

Only in this way could the genuine rise in standards, reflected in consistent improvements in "A" level results, be maintained and flourish.

Michael Ross,
head of English,
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Llantwit Major CF6 9TQ

Promoting UK more difficult

From Mr William Davis.

Sir, I hope you will allow me to set the record straight about the British Tourist Authority and English Tourist Board ("Tourist chief failed to win allies", January 28). The ETB board unanimously expressed its dismay at the government's decision to cut its grant-in-aid. So did the chairmen of the 11 regional boards. The BTA may appear to have its grant-in-aid maintained, but devaluation of sterling has substantially reduced our ability to promote Britain around the world.

I also want to make it clear that it was entirely my decision to give up the chairmanship of both boards at the end of March.

William Davis,
chairman, British Tourist Authority and English Tourist Board,
24 Grosvenor Gardens,
London SW1W 0ET

No conspiracy by independent financial advisers on competition

From Mr Peter L Tann.

Sir, I enjoyed reading Barry Riley's "Long View" (January 23) because it put the independent financial adviser in a new light, which is always refreshing. I agree with his point that it would be a shame if IFAs were "eliminated", thereby reducing consumer choice and removing yet another distinctive British tradition.

However, on other points I disagree. IFAs were and are a much less organised and cohesive group than he suggests. As a manager of a network of over 1,000 of them, I can attest to their disparate natures; about the only thing they have in common is their pride and belief in independence.

Barry Riley would have us believe that IFAs were not only vocal but successfully conspiratorial in their bid to introduce polarisation into the legislation as a means of restricting banks and building societies from retailing investment products. As a group, IFAs just did not have the necessary institutional arrangements in place to effect such a plot.

IFAs ought now to feel threatened by those banks and building societies which are getting into ownership and distribution of their own brand of life and investment products. And surely their only way is to respond exactly in line with what Barry Riley implies has been going on, ie they must get ideas "above their station" if they are to differentiate themselves from the mass consumer marketing which threatens to overwhelm them.

My observation is that IFAs see both the threat and the opportunity. Some will inevitably leave the arena, but new entrants are coming in, often from the ranks of tied agents. These people are now required to pass an examination before putting up their brass plate. Many IFAs are responding by joining networks, the ultimate test of which will be their ability to help members meet their own aspirations and the needs of clients. The other test will be how well they cope with the increasingly tight regulatory environment presaged by the debate on the future of the Personal Investment Authority.

If they can cope with all, then the threat of extinction, as implied by Barry Riley, will have been avoided.

Peter L Tann,
chief executive,
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Littlegate House,
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Jumping the election gun

From Mr Geoffrey Selwyn.

Sir, It is a pity to upset Joe Rogaly's assumption ("Yes, but no sax appeal", January 22) but, at the turn of the century, President Clinton will at best be three weeks away from relinquishing office while Mr Major will probably have to win two elections.

There are 2,900 days, or just more than 95 months, to the turn of the century which will occur at midnight on December 31 2000!

Geoffrey Selwyn,
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Northwood, Middx HA6 3AZ

Royal begins to break up reinsurance side

By Richard Lapper

ROYAL Insurance is to begin dismantling its reinsurance subsidiary, Royal Re, in line with a strategy of focusing on core direct insurance business.

Some parts of Royal Re's portfolio – which generated more than £150m in premium income in 1992 – will be transferred to its industrial risks subsidiary, Royal Global. The rest of the company's UK-based reinsurance business will be run-off.

While Royal Re's US arm, American Royal Re, will continue to trade for the moment, it is understood that the group will seek to sell the operation, which accounted for under 30 per cent of premium income last year.

"The market has seen a deterioration in results due to inherent problems and an unprecedented number of natural catastrophe losses", explained Mr Richard Gamble, group chief executive.

"Against this background, together with Royal Re's relatively small worldwide market share", it was in "shareholders' best interests to reduce its involvement in the market", added Mr Gamble.

In order to facilitate an "orderly withdrawal" from the market Royal said it had acquired the 20 per cent minority stake in Royal Re previously held by Aachen Re.

Yesterday's announcement follows a number of unsuccessful attempts to sell Royal Re. Last year the group said reinsurance was identified as a "non-core business in the longer-term".

Other insurance companies have also reduced their involvement in reinsurance in recent years. Last year Prudential announced it was reducing its involvement in general reinsurance business in order to focus on life reinsurance.

Legal & General sold its reinsurance subsidiary, Victory Re, to ING, the Dutch banking and insurance group, in July 1990.

Coleridge to step up role at Sturge

By Richard Lapper

MR DAVID COLERIDGE, the former chairman of Lloyd's of London, is set to play a more active role at Sturge Holdings, the Lloyd's agency which he chairs, following yesterday's surprise resignation of Mr Peter Davis, the group's deputy chairman and finance director.

It had been expected that Mr Coleridge, who is 60, would have only a part-time involvement at Sturge, following an arduous two year stint at Lloyd's.

Instead, he is expected to be much more involved as Sturge prepares to confront a severe shrinkage in its business.

Full details will emerge at the group's annual meeting next Thursday but it is expected that capacity of the 22 syndicates under management will fall from its £1.05bn in 1992 by at least 20 per cent in 1993.

Mr Davis joined Sturge in 1988 to help guide the group's expansion outside Lloyd's.

However, in the wake of the market's recent trading problems Sturge has suffered a contraction in its business and has reduced the size of its management team accordingly.

Resignations of other senior figures are expected this year, as well as further redundancies among the group's 1,300 staff. Since October 1991 175 staff have left.

The decline of two "flagship" syndicates – 206 and 210 – is a particular concern. During Sturge's rapid expansion in the mid-1980s each syndicate – which underwrites a broad spread of insurance business – increased its capacity to over £200m.

More recently both have suffered sharp falls. Syndicate 206 may be left with less than £50m capacity in 1993, while syndicate 210's capacity could also decline by 50 per cent.

Mr Johnston Brown, group company secretary, said that many Names – individual traders whose capital supports Lloyd's – had been hard hit by recent losses and were being forced to reduce the amount of insurance traded on their behalf.

Sturge could leave the most recent years of account of syndicates 206 and 210 open, because of the sharp contraction in the syndicates' size.

Penalty of playing for high stakes

Angus Foster on Lasmo's problems and poor share price performance

THE JOKE going around the oil sector runs as follows: what do you get if you merge a £1bn company with a £1bn company? Answer: Lasmo, a £1bn company.

Lasmo's 1991 takeover of rival Ultramar for £1.1bn made it one of the largest UK independent oil and gas explorers, doubled its proven and provable reserves and doubled production.

However, with debt and other problems mounting from the takeover, and the depressed oil price, Lasmo has been one of the poorest performing FT-SE 100 shares. Despite a 10p rise to 165p yesterday, the shares have lost half their value since the bid was launched, and Lasmo is still a £1bn company.

On Thursday, the man largely responsible for Lasmo's rise took the blame for its share price decline. Mr Chris Greentree, chief executive since 1983, was replaced by his chief operating officer, Mr Joe Darby. The change seemed designed to silence stock market criticism and prepare for a cut in dividends when Lasmo announces results in March.

Mr Greentree, a big Canadian, was a leading figure in the independent oil industry and a dominant character within Lasmo. His mistake was to gamble Lasmo's short-term cash position on the longer-term benefits of buying Ultramar. Lasmo was generally thought to have bought the company cheaply. But subsequent sales of Ultramar's downstream assets achieved disappointing prices, suggesting asset values had already started to fall by the time of the takeover.

Lasmo was left with high borrowings and rising capital expenditure. Despite $1.53bn (£1bn) of disposals last year, net borrowings are estimated to have hardly changed at over £1bn, with gearing above 90 per cent.

With oil prices depressed after the Gulf war, earnings have come under pressure. According to NatWest Securities, net income is forecast to rise from £17.9m to £28m for the year to end-September, including a full contribution from Ultramar. But on a per share basis to reflect the dilution effects of the takeover, cash flow and earnings will have both fallen. With earnings of 3.1p expected, analysts point out that last year's dividend of 5.5p will have to be cut more than half to be covered.

Mr Darby is spending the weekend reviewing Lasmo's strategy but is not expected to introduce radical changes. A cautious man, who is described as "quietish" by colleagues, he likes compiling lists of priorities and manages methodically.

At the top of the stock market's list is for a decision on the dividend. This will not happen until Lasmo releases results in March and will partly depend on the sterling oil price.

Analysts agree, in the longer term, that Lasmo has great potential and holds some excellent assets – especially in the North Sea and an Indonesian joint venture inherited with Ultramar. But in the short term, they argue that maintaining the dividend when borrowings are so high risks undermining the business.

Hoare Govett, which said the shares were overvalued until the dividend uncertainty was removed, argued that passing the final payment would save about £60m. That would give Lasmo greater scope on disposals and not force it into a fire sale of assets at undervalued prices. "With operating results deteriorating and with asset sales necessary to keep the balance sheet under control, we believe Lasmo would be financially imprudent to pay a held and uncovered dividend," Hoare Govett said in a circular issued the day before Mr Greentree's departure.

Institutional shareholders, however, may want Lasmo to focus on cash flow rather than earnings cover when assessing the dividend, in line with US practise. On this basis, a maintained dividend would be about 4 times covered, well below rival Enterprise, but still sustainable.

Where both camps agree is that the ongoing programme of disposals and rationalisation following the Ultramar bid must continue to bring down borrowings and strengthen the balance sheet.

Most of Ultramar's downstream assets due for disposal have now been sold. But Lasmo could raise a further $350m this year through disposals of upstream assets. The sale of minority holdings in the North Sea could raise £100m, according to analysts, although there would be concern if the important Markham field was sold, as has been rumoured.

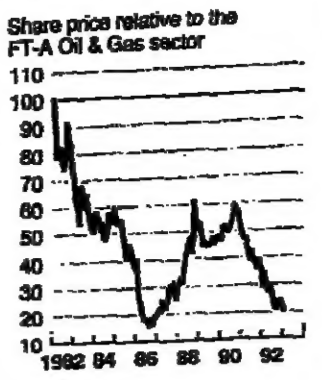
Partly because of the low oil price, and partly because of its own problems, Lasmo had already indicated cuts in capital expenditure and development spending from this year. Last month Mr Greentree said capital expenditure would fall 15 per cent to £90m while development spending would fall by nearly £100m to £240m.

Assuming these programmes continue, some observers argue Lasmo could recover quickly, helped by rising production from Ultramar assets and reduced gearing. "The good news for Mr Darby," according to Mr Simon Flowers at NatWest, "is that much of what he should do is already in train."

The bad news for Mr Darby and his fellow directors is that the tricky dividend decision remains at the top of their list.

Lasmo

Share price relative to the FT-A Oil & Gas sector



Source: Datastream

Joe Darby: reviewing strategy but no radical changes seen

Final Brown Shipley sale likely

By Jane Fuller

THE TWO remaining businesses of Brown Shipley Holdings – stockbroking and investment management – seem set to be acquired by Kredietbank Luxembourgeoise only seven months after it rescued Brown Shipley & Co, the banking arm.

KBL, a sister organisation to one of Belgium's biggest banking groups, is likely to offer 30p a share for the 70.2 per cent of Brown Shipley Holdings it does not already own, valuing it at £4.8m. When KBL bought its initial 20 per cent stake in 1986 it paid 750p a share and a total of £23m.

Brown Shipley's share price slid from 51p to 35p after yesterday's announcement about the potential deal – and about the problem that had sparked it off.

This dates back to KBL's £1 purchase of Brown Shipley & Co last June. Leasing losses, bad debt provisions and a property write-down had undermined the bank's capital base and it could no longer be sustained by the holding company.

However, one of the liabilities passed on with Brown Shipley & Co has rebounded in the form of potential claims totalling £2.4m against BSH.

The claims relate to Lease Management Services, which was sold last June for £5.9m to Woodchester Investments, the Dublin-based leasing and banking group in which Credit Lyonnais of France has a near 50 per cent stake.

Although BSH has denied liability, if the claims were successful they would reduce its net assets to less than half the £18m called up capital, necessitating an extraordinary general meeting to discuss what to do.

Mr William Dacombe, chairman and chief executive, said fighting the claims would not only be expensive, but also destabilising and bad for morale. "Independence has its attractions, but the financial strength of KBL also has its attractions."

If the offer goes ahead and is accepted – and the odds are on that outcome – it will round off the break-up of Brown Shipley. That started last May with the £33m sale of its insurance broking operations to Holmwoods Group and the £10m disposal of its offshore operations to Standard Bank Investment Corporation of South Africa.

Markheath hit by provisions

By Peter Pearse

PROVISIONS OF £2.67m for declining property values led to sharply increased losses at Markheath in the six months to September 30. The pre-tax deficit was stretched from £459,000 to £4.71m and there is no interim dividend, against 0.5p last time when the final was also passed.

Mr Michael Rendle, chairman, said that in November the company breached its banking facilities – specifically two covenants – as its properties failed to generate sufficient income to cover all the interest costs.

He added that discussions with its banks were "progressing in a constructive manner" to try to renegotiate the facilities. The company said that the interim figures had been drawn up on a going concern basis, which assumes the continued support of the banks.

Mr Ian Creber, finance director, said that borrowings, having fallen from £95.4m to £72.9m in the year to March 1992, had risen over the half to £78m, but that since September 30 had been reduced to £67.4m via the sale of the stake in Frogmore Estates for £13.1m. That sale should also result in a £3m tax rebate in 1993. In January a property sale for £1m was completed.

The pre-tax figure was struck after charging £2.4m to the profit and loss account – the capitalisation of interest and attributable overheads to the carrying value of properties stopped in August.

The sale of properties in the half totalled £3.17m (£3.8m). Mr Creber said the company had not been tempted to "dump" properties, "just to pay interest". Operating losses grew to £3.22m (£2.49m), while income from properties brought in £1.57m (£1.29m).

Losses per share were 4.03p (0.19p).

IDV lifts Buton stake to 85% in £39m deal

Philip Rawstorne

INTERNATIONAL Distillers & Vintners, the drinks arm of Grand Metropolitan, is to acquire Buton, the Italian spirits and wines company in which it bought a minority stake two months ago.

Through its Italian subsidiary, Cinzano, IDV has agreed to buy BIF, a family holding company which owns 50.1 per cent of Buton, for £38.6m (L85.7bn) cash.

The deal, subject to the approval of the Italian anti-trust authorities, will give IDV control over 85 per cent of Buton's shares. A public offer will be made for the rest.

IDV bought 33.8 per cent of Buton – which makes Italy's leading spirits brand, Vecchia Romagna brandy – for £19.7m from a group of minority holders in late November. It has since acquired another 1.1 per cent from that source.

The UK company originally intended to establish a worldwide trading partnership with Buton on the lines of those recently developed with Gonzalez Byass in Spain, and Jose Cuervo in Mexico.

When acquiring the initial minority stake it arranged to sell back the shares to the vendors if an alliance proved impossible, but discussions with the majority holders quickly led to an agreed acquisition.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brandon Hire ....int	nil	-	0.1	-	0.1
Debenham Tewson .int	1.2	Feb 22	1	-	2.5
Greenfriar Inv ....fin	4.25	Mar 25	4	5.35	6.1
Investors Cap ....int	1.275‡‡	Mar 9	1.275	-	5.1
Latham (James) ......int	1.5	Feb 11	1.5	-	3.75
Markheath ....int	nil	-	0.5	-	0.5
McKay Secs ....int	nil	-	3.2	-	6.7
Palmerston ....int	nil	-	0.5	-	0.5
Sheafbank Prop ....fin	0.1	Apr 2	0.1	0.2☆	0.2
Wholesale Fitts ....int	3.23	Apr 8	3.23	-	11.7
Wintrust ....int	3	Mar 31	3	-	9.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆For 15 months. ‡‡For first quarter.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	106	103	For. & Col. PEP Inv Tst	106		F3.36	-	4.2	-
51	F.P.	-	68	52	Intl. Food Machinery	61		-	-	-	-
£10½	F.P.	-	£10½	£10½	Mauritius Fund	£10½		-	-	-	-
50	F.P.	-	62	52	OIS Intl.	62		N1.9	2.8	4.1	11.5
-	F.P.	-	2	1½	§Prime People Warrants ..	1½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	118½p	115½p	Bristol Water 8¼pc Pf.	118½p	+¼
100p	F.P.	-	108½p	105¼p	Commercial Union 8¾pc Cm. Pf.	108½p	+¼
100	F.P.	-	114¼	109¾	NFC 7¾pc Cr. Bd. 2007	110¾	-1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
25	P.P.	1/3	16	12	Property Trust	13	
50	Nil	15/2	27pm	12pm	Trio Holdings	24pm	
Nil	460	21/5	75	58	Wessex Water	75	+4
3	Nil	24/2	1pm	¼pm	West Trust	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. # Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Jan. 25
- Last Dealings Feb. 12
- Last Declarations May 6
- For settlement May 17

3-month call rate indications are shown on page 9.

Calls in BM, Burnfield, Caverdale, Fairhaven, First Tech., Microvitec, Premier Cons., P & P, Queens Moat Hses., Rhino, Sage, Shandwick, Suter, Tadpole Tech. and Wills. Puts in BM, Burnfield, First Tech., Geest, Suter, Tadpole Tech. and Tay Homes. Doubles in Porth and Tarmac.

Rebel blamed for sharp downturn at Etonbrook

By Tim Burt

ETONBROOK, the property developer, has blamed a sharp fall in pre-tax profits on the costs incurred fighting a rebel bid for a 30 per cent stake in the company.

After exceptional charges of £120,000, the former BES company announced a profit of £74,000 in the six months to the end of September 1992, compared with £300,000 in 1991.

Profits were further undermined by rental income lost on an east London warehouse which the company sold. Rental income fell from £317,000 to £191,000.

Mr Keith Moss, managing director, said the results would have been healthier if the company had not faced attempts by rebel shareholder Mr Andrew Perloff to increase his 19.13 per cent stake.

Mr Perloff blamed the decline on poor management and questioned a £6,000 increase in administrative expenses to £103,000.

The company has consistently urged shareholders to reject Mr Perloff's overtures, which include a 13.4 per cent tender offer and calls for board changes. He failed to win a seat on the board at an extraordinary meeting last August, but was successful in thwarting plans to repay £1.19m in preference shares.

"The costs of the EGM and fighting Mr Perloff has meant everyone has lost out and shareholders will not get a dividend," Mr Moss said.

The share price fell 3p yesterday to close at 73p.

Goodhead shares fall as profits dive 58%

By Matthew Curtin

SHARES in Goodhead fell 8p to 27p yesterday as the printing, paper publishing and marketing services group announced a 58 per cent plunge in pre-tax profits after exceptional charges of £133,000.

In the half-year to November 30 1992, profits stood at £181,000 against £429,000, on lower turnover of £19.3m (£22.2m).

The interim dividend is again passed; there was a final of 0.5p last time.

Mr Colin Rosser, chief executive, said consistent results from the print and paper division, and its publishing side, were offset by a sharp decline at the marketing services business which struggled to break even.

Interest charges fell to £611,000 (£706,000) on largely unchanged borrowings of about £10m.

Below the line the group absorbed extraordinary provisions of £3.73m associated with the sale of its loss-making Review Group subsidiary and related properties. That left a loss attributable to shareholders of £3.64m (profit £220,000). Losses per share were 0.2p compared with earnings of 0.8p.

Mr Rosser said the group was committed to concentrating on its core printing and publishing businesses and pulling out of marketing services, which might be accomplished by the year-end.

It was evaluating the future of its profitable Canadian publishing operation.

Palmerston drops £5.8m into the red

Shares of Palmerston Holdings fell from 25p to 13p yesterday after the property group reported a £5.78m pre-tax loss in the six months to September 30. That compared with profits last time of £478,137.

The result was after an exceptional provision of £3.85m for associated company guarantees and £1m for associated company doubtful debt.

Mr Philip Rose, chairman, said the values of the group's properties had declined since the last balance sheet date, which together with the continuing support needed by associates, had resulted in a breach of the group's covenants with its bankers.

Accordingly, the group was in discussion with its bankers regarding the continued availability of facilities.

Losses per share were 26.99p (earnings 2.12p).

ISA extends its European network

By Peter Pearse

IN A move to extend further its European distribution of branded consumables for information processing equipment, ISA International is to acquire CTS Svenska, which distributes in Sweden, for up to £6m.

An initial £2.5m in shares is payable on completion. A further £3.5m in cash may be payable after an audit by ISA.

Mr Andrew Heap, deputy chairman, said he wanted ISA to become truly pan-European – it would have "greater purchasing muscle" and would not have to rely on the economy of any one country.

At the same time, in its first fund-raising since coming to the market in 1987, ISA is conditionally placing, with clawback, 6.47m ordinary shares with institutional investors at 85p per share. The proceeds will be £5.5m, before expenses of £600,000.

Mr Heap said the placing and offer would serve three functions. It would pay the deferred consideration; increase the working capital for the enlarged group; and improve the marketability of the shares. ISA's combined board holding will be diluted from about 25 per cent to 19 per cent.

Since flotation, turnover has grown from £17m to an estimated £120m in 1992. The group is forecasting profits this year of "not less than £3m", up 41 per cent on 1991.

Arthur Shaw rebels reveal debt reduction strategy

By Tim Burt and Paul Taylor

REBEL shareholders at Arthur Shaw, the loss-making West Midlands building materials group have proposed a debt reduction strategy designed to win support for its campaign to unseat the board.

The rebels, who claim the support of shareholders controlling 49 per cent of the equity, aim to reduce borrowing through asset disposals and the sale of Jackdaw, the engineering tools subsidiary.

In a letter to shareholders, the dissident group said the company should focus on its core window hardware business and strengthen sales overseas.

Led by Mr Ian Tickler, Mr Pearson's predecessor, the rebels claim their campaign has been strengthened by a sharp division on the board. The split emerged after Mr Alan Bearman, a non-executive director, issued a statement disassociating himself from a letter sent to shareholders by Mr Pearson.

Mr Pearson suggested that all members of the board intended to recommend that shareholders vote against the resolutions. Mr Bearman disagreed.

Wholesale Fittings dips to £934,000

By Peter Pearse

INTERIM pre-tax profits at Wholesale Fittings, the distributor of electrical goods, declined from £1.21m to £934,000 on turnover up by £300,000 at £30.3m.

Mr Leonard Rose, joint managing director, said that margins had "held up reasonably well", but redundancies and the cost of the company's new integrated computer system helped knock operating profits back from £1.05m to £797,000.

Interest receivable slipped to £137,000 (£156,000).

The workforce was reduced by 60 people, or 7 per cent, and the branch at Telford – the smallest – was closed in December 1992. Trading conditions continued to be "extremely difficult and highly competitive".

The interim dividend is held at 3.23p, payable from reduced earnings of 4.4p (5.6p).

NEWS DIGEST

Wiggins losses down to £359,000

WIGGINS GROUP, the property developer, made inroads into its losses in the six months ended September 30 1992, cutting them from £1.76m to £359,000.

Turnover was down to £1.25m (£5.22m). Net interest payable was more than halved at £369,000 and this time there were no exceptionals, against £752,000.

Below the line there was an extraordinary £453,000 charge relating to the non-consolidation of Allison Group placed in receivership last June. Losses per share fell to 2.3p (11.1p).

Since the half year negotiations have been concluded for the sale of the South Western House Building subsidiary, which will lead to a decrease in the deficiency of net assets of some £3m.

James Latham

James Latham, timber importer and building materials merchant, made a pre-tax profit of £54,000 in the six months to September 30.

That compared with £121,000, which included £270,000 profit on sale of site.

The interim dividend is held at 1.5p but the level of the final will depend on results and, particularly, the further impact of exceptional charges arising from closures following recommendations from consultants.

Group sales reached nearly £31m (£30.5m). Earnings per share came to 0.29p (0.83p).

The Property Trust

The Property Trust yesterday reported a swing back into the black with a pre-tax profit of £426,000 for the six months to end-September.

Mr Anthony Cheng, chairman of the property investment and development company, said the outcome exceeded the forecast of not less than £400,000 made at the time of the rights issue last October, and compared with a loss of £6.3m.

The company, which transferred from the USM to the official list last year, incurred a pre-tax loss of £7.95m in the twelve months to end-March.

Turnover in the latest period was £1.65m, against £730,000. Earnings per share worked through at 5.61p (83.2p losses).

McKay Securities

McKay Securities, the property group, remained profitable in the half year ended September 30 1992, but is omitting the interim dividend in the light of discussions with its banks.

Its unsecured banking agreements contain a standard covenant relating to the ratio between net asset value and the level of secured borrowings, which has restricted the ability to draw down fully its committed secured facilities.

Discussions are going on to amend the covenant and to securing adequate medium-term funding. All banking facilities are expected to be put on a secured basis.

In the half year pre-tax profits fell from £2m to £877,000 after increased interest charges. No development outgoings or interest costs were capitalised, compared with £564,000. Earnings per share were 2.9p, against 6p on which an interim dividend of 3.2p was paid.

Gross rents came to £4.47m (£4.88m).

Brandon Hire

A reduction of £50,000 in the depreciation charge and of £30,000 for interest costs enabled Brandon Hire to almost treble its interim pre-tax profit.

Turnover of the group – which hires power and other tools, catering equipment and furniture – showed no improvement at £2.17m in the six months ended October 31 1992, against £2.19m, but profit rose from £23,000 to £61,000.

Earnings per share were 0.59p (0.23p) but no interim dividend is being paid. Previously it was 0.1p and represented the total for the year.

Raglan Property

Raglan Property Trust cut its pre-tax loss from £685,000 to £564,000 in the six months ended September 30 1992. Losses per share were clipped from 0.4p to 0.3p.

The company continued to unwind outstanding liabilities initiated in the late 1980s, and recently exchanged an agreement with Tesco whereby Raglan was released from its obligation to purchase properties for £4.5m in the centre of Cirencester.

Discussions with lending banks and Tameside continue. If successful, they will enable Raglan to achieve a capital restructuring.

Prior

Interest charges, costs relating to its head office move and compensation in respect of a former director, left Prior, the property and architectural ironmongery group, £467,000 in the red pre-tax in the half year to September 30. Losses last time were £411,000.

Mr James Prior, the chairman, said that virtually all of the turnover, of £596,000 (£4.03m), related to the non-property activity, JD Beardmore, which had traded above break-even for the first time in four years.

The group had been negotiating with its banks and third parties to restructure and release certain debt.

Losses per share amounted to 1.6p (1.4p).

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COMPANY NEWS: UK

British officials optimistic that other orders will follow BAe's £4bn agreement to supply bombers to Saudi Arabia

Arms sales emerge from desert mirage

By David White, Defence Correspondent

IT WAS like a mirage in the desert. The arms purchases foreseen in the second stage of the UK-Saudi Arabian Al-Yamamah agreement in 1988 were trumpeted as Britain's biggest export deal. Until this week they proved alluring but unseizable.

Immediately after the 1988 agreement Saudi Arabia gave approval for three minehunters to be built at Vosper Thornycroft's yard at Southampton. Then, for more than four years, Saudi Arabia continued to earmark part of its oil production for British defence supplies, but no more equipment orders emerged to boost the sagging fortunes of UK arms manufacturers. These were headed by British Aerospace, prime contractor for the programme and its principal beneficiary.

Imminent deals were forecast so often that the company's employees and investors began to doubt whether the sales would materialise.

The order for 48 Tornado *bombers, announced* by Mr John Major in Riyadh on Thursday, were the top item in the list. They will complete a Saudi fleet of 120 of the Anglo-German-Italian aircraft, including 24 air-defence versions.

With weapons, spares and training, they account for only about half the estimated £4bn-£5bn value of the latest deal.

Traditional Saudi secrecy surrounds the rest, but it is believed to include extensive ground facilities for the aircraft and improvements to the country's air-defence radar and command and control systems.

British officials are optimistic that other orders will now follow. Westland, due to supply up to 88 Black Hawk helicopters which it would make under licence from Sikorsky of the US, greeted the Tornado sale as "very good news".

Westland said that since the 1991 Gulf war the Tornados had clearly been the Saudis' top requirement. "Until that was resolved it was always difficult to focus on other contracts," the company said.

Vosper Thornycroft, scheduled to launch the third of its Saudi minehunters next month, is awaiting confirmation of a further three. It is making naval vessels for Oman and Qatar, but is left with no other work in its specialised niche – building ships out of glass-reinforced plastic.

BAe hopes to sell a further 60 Hawk trainer aircraft to the Saudis, in addition to 30 already delivered. It is relying increasingly on exporting Hawks, both as trainers and as light fighters.

Apart from Saudi Arabia, the Tornado has found no clients outside the three manufacturing countries. Jordan, Oman and Malaysia all backed out of planned Tornado purchases.

The Saudis are understood to have raised the volume of oil set aside for British defence purchases by 20 per cent to 600,000 barrels a day – equivalent at current prices to about £2.5bn a year.

Revenue from selling this oil goes into an account run by the UK government and is passed on to BAe, which in turn pays other companies as sub-contractors.

More than £10bn has already been paid through this channel. But the arrangement has proved problematic because oil prices have fallen far short of the expectations which underpinned the original calculations.

BAe has 4,000 expatriates working in Saudi Arabia on a large programme of support work and services under the first part of Al-Yamamah, for which the funding system has not provided a big enough "kitty".

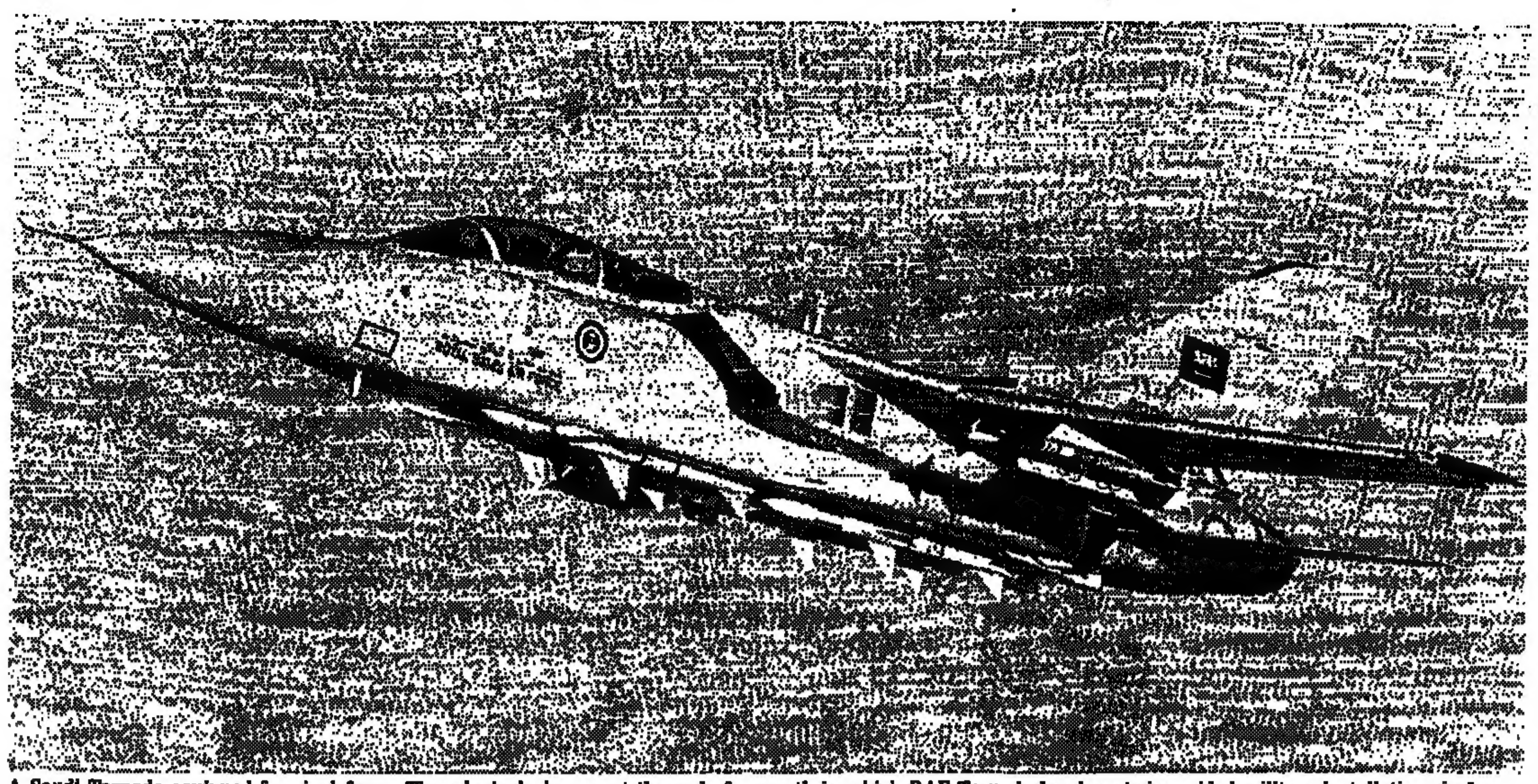
This week's deal was a well-kept secret. Doubts about the Tornado sales had revived since the autumn, when the US agreed to sell 72 advanced versions of the McDonnell Douglas F-15 to the Saudis for $5bn.

These include 48 aircraft equipped for ground attack, like the Tornados.

BAe always maintained that the Saudis were still interested in having Tornados as well, but they were clearly tempted to play their US and UK suppliers off against each other.

Their negotiations with the new US administration on the exact specifications of the F-15s – stripped of some of their capabilities in response to Israeli concerns – are still incomplete. However, the Saudis seem to have concluded they would not obtain a long-range strike capability to match that of the Tornado.

The deal comes at the end of a month in which RAF Tornado bombers have twice played a successful part in bombing raids from Saudi Arabia's Dhahran air base against military installations in southern Iraq.



A Saudi Tornado equipped for air defence. Thursday's deal came at the end of a month in which RAF Tornado bombers twice raided military installations in Iraq

Debenham Tewson in £11m merger

By Vanessa Houlder, Property Correspondent

DEBENHAM TEWSON & Chinnocks, the quoted property adviser, yesterday announced a merger with Bernard Thorpe, a firm of chartered surveyors, in a deal worth £10.9m.

It also announced a rise in pre-tax profits from £727,000 to £936,000 for the six months to the end of October. Its share price rose 6p to 71p.

This deal is the latest of a series of mergers within the chartered surveying industry in the past year, as the severe downturn in the property *industry has forced firms to* cut costs and seek stronger partners.

DTC said the purpose of the deal was to expand its regional network.

The merger will result in cost savings of about £2m a year, as a result of reductions in staff numbers and accomodation costs.

The combined group would have had a turnover of £55m in the last financial year. In the year ended April 1992, Bernard Thorpe incurred a pre-tax loss of £274,000 and had net assets of £1.8m.

Mr Richard Lay, chairman of DTC will be the chairman of the merged group, which will be called DTZ Debenham Thorpe. Mr David Buck, the chief executive of Bernard Thorpe will become vice-chairman. Mr Anthony Turnbull, DTC's chief executive will become chief executive of the enlarged group.

Debenham will issue 9.79m new shares, representing 23.6 per cent of the enlarged share capital, and up to a further 750,000 new shares on June 1 1994. Bernard Thorpe's partners have agreed not to dispose of the shares before April 1996.

Mr Lay said that DTC expected a "a satisfactory outcome" for the full year, with a significant contribution from Bernard Thorpe in the second half. In the year to October 1992, DTC's turnover rose from £16.6m to £17.53m. Earnings per share rose from 1.22p to 1.81p. An interim dividend of 1.2p (1p) was declared.

Rolls-Royce among big winners from Tornado deal

By Andrew Bolger and Paul Cheeseright

THE Tornado order is a relief for British Aerospace's 450 sub-contractors which have shed thousands of jobs between them because of recession and the collapse in defence spending.

One of the biggest beneficiaries is Rolls-Royce, the aero-engine group, which will supply two RB-199 jet engines for each of the 48 strike aircraft.

The engines and spares, worth about £500m, will be made by an international consortium comprising Rolls-Royce, FiatAvio, the Italian motor group's aerospace subsidiary, and Deutsche Aerospace (Dasa), the Daimler-Benz subsidiary.

The UK group's share of the work is about £250m. Components will be made throughout Britain, but all the engines will be assembled at Rolls-Royce's Bristol plant, which employs 6,000 – fewer than 600 working directly on the RB-199.

GEC-Marconi is responsible for about 30 per cent of the value of each aircraft, providing electronic navigation, radar and engine management systems. The order ensures employment for about 6,000 people across six sites – in Edinburgh, Basildon, Portsmouth, Stanmore in Middlesex, Rochester in Kent and Pitchfield in Hampshire.

The company was waiting to hear detailed specifications, which could considerably increase the value of the order. A possible add-on it has developed for the Royal Air Force is a thermal imaging and laser-designator pod, which guides bombs to their targets.

Smiths Industries, the avionics group, will supply electronics worth an estimated £200,000 per aircraft, including a head-up display and a weapon-aiming computer. All the work will be done at Smiths' largest factory, in Cheltenham, which employs 2,000 people – 1,000 fewer than two years ago.

Smiths is also keen to see whether orders will materialise from Saudi Arabia for Hawk jet trainers, since dual-control avionics make them almost as valuable for the group as the Tornados.

Lucas Industries, the Birmingham-based motor and aerospace components group, will supply nearly £50m worth of engine and flight-control systems, windscreens and switches. The order will be spread across seven sites – Wolverhampton, Coventry, Bradford, Hemel Hempstead, Luton and two in the Birmingham area.

Lucas said the order would help secure jobs, although only 2,000 would be directly involved in the Tornado order. Since the group started restructuring in October it has shed 400 aerospace jobs from a total of more than 8,000.

Mr Frank Turner, head of Lucas's aerospace division, said: "This is excellent news at a time of difficult trading in the aerospace industry."

TI Group, the specialist engineering company, estimates it has won work worth £25m – mainly through Dowty, the aerospace engineer which it took over last year. Dowty will supply landing gear and associated hydraulics from its plants in Cheltenham and fuel-control systems from Wolverhampton. TI will also make engine rings from a plant in Birmingham. The factories involved employ a total of 2,500 people.

Many smaller suppliers will benefit. MBM Technology, part of Morgan Crucible, employs 200 people in Brighton and makes the weapon-release systems. It said it had not yet heard from BAe, so could not estimate the value of the work.

M T W T F S S

ECONOMIC DIARY

TODAY: Municipal elections in Bangladesh.

MONDAY: Provisional analysis of bank lending for house purchase (fourth quarter). US construction spending (December). European Community foreign ministers meet in Brussels (until February 2). European Community foreign ministers also expected to meet Mr Shimon Peres, Israeli prime minister, for follow-up to talks in December. Agenda includes review of 1975 co-operation agreement, Israel's trade deficit with the European Community and future European Community - Middle East relations. United Nations Human Rights Commission begins six-week session in Geneva.

TUESDAY: UK official reserves (January). US leading indicators (December). Mr Helmut Kohl, German Chancellor, and Mr Douglas Hurd, foreign secretary, address Council of Europe parliamentary assembly in Strasboug. Exxon Valdez oil spill symposium in Anchorage presents summary of all government scientific studies accumulated on the spill's effect (until February 5).

WEDNESDAY: Overseas travel and tourism (November). Advance energy statistics (December). London sterling certificates of deposit (December). Monetary statistics (including bank and building society balance sheets; bank and building society sterling lending and M4 sectoral analysis (December). Bill turnover statistics (December). Sterling commercial paper (December). Money market statistics (December).

THURSDAY: US factory orders (December); productivity and costs for fourth quarter of 1992. Bundesbank council meeting. Amsterdam Motor Show opens (until February 5).

FRIDAY: Insolvency statistics (fourth quarter). Housing starts and completions (December). Labour local government conference in Bournemouth (until Sunday).

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*576)	550	46	58	65	12	27	32
	600	19	31	41	37	55	60
ASDA (*67)	60	11	13	16	3½	6	6½
	70	4½	9	11½	8	11½	13½
Brit. Airways (*278)	220	64	67	-	2½	6	-
	280	19	27	30	16	27	31
SmKl Bchm A (*490)	420	78	89	95	4	8½	13
	460	46	59	70	11	20	26
Boots (*499)	460	53	60	69	6	15	20
	500	25	35	46	19	32	36
B.P. (*245)	240	15	23	27	10	16	19
	260	6½	13½	18	23	26	32
British Steel (*73)	70	9	13	15½	6	9	10
	80	4½	8½	10½	11	15	17
Bass (*584)	550	60	74	85	12	23	29
	600	26	45	57	32	46	55
C & Wire (*701)	700	37	54	66	28	44	52
	750	16	32	44	59	75	79
Courtaulds (*557)	550	34	48	58	20	35	41
	600	13	27	37	51	67	72
Com. Union (*607)	600	29	40	44	29	40	47
	650	10	20	26	60	73	80
Fisons (*215)	200	31	39	48	11	21	26
	220	19	30	38	21	32	37
GKN (*467)	460	25	35	44	24	33	39
	500	8	21	28	53	58	62
Grand Met. (*435)	420	35	50	58	13	23	28
	460	16	31	38	33	43	49
I.C.I. (*1131)	1100	55	82	95	47	67	94
	1150	29	60	74	77	96	120
Kingfisher (*547)	500	61	70	76	7	18	24
	550	28	42	50	24	40	47
Ladbroke (*195)	180	24	30	33	12	18	24
	200	13	20	24	22	29	35
Land Secur (*473)	460	29	35	41	10	14	28
	500	10	17	22	35	49	53
M & S (*313)	300	25	32	36	6½	15	16
	330	9	16	23	21	32	34
Sainsbury (*574)	550	44	53	63	13	26	30
	600	15	28	38	40	49	56
Shell Trans. (*558)	550	20	32	39	22	28	34
	600	4	14	18	60	62	68
Storehouse (*205)	200	18	26	30	8	14	18
	220	11	17	22	21	25	28
Trafalgar (*96)	90	13	16	21	5	9	10½
	100	7½	12	16	9½	14	16
Utd. Biscuits (*365)	360	20	26	31	20	25	31
	390	7½	15	19	41	45	49
Unilever (*1110)	1100	42	63	81	38	52	59
	1150	20	40	58	72	83	90

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*252)	240	25	42	57	13	32	42
	260	16	34	48	24	45	55

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
BAA (*771)	750	35	56	66	8	22	34
	800	9	30	40	35	48	60
BAT Inds (*960)	900	68	79	91	4½	26	35
	950	33	46	64	16	48	58
BTR (*551)	550	12	23	35	11	27	32
	600	2½	8½	15	49	61	65
Brit. Telecom (*407)	390	21	33	38	3	9½	17
	420	5	15½	21	17	23	32
Cadbury Sch (*463)	460	16	25	34	10	26	30
	500	4	10	18	38	53	56
Eastern Elec (*410)	400	18	33	-	7	17	-
	430	5	-	-	25	-	-
Guinness (*452)	420	43	53	58	3	14	19
	460	14	27	38	15	32	38
GEC (*290)	280	14½	23	27	4	8	15
	300	4½	12	18	14	18	24
Hanson (*251)	240	14½	19	23	3	8	12
	260	4	9	13	13	19	23½
LASMO (*164)	160	13	20	27	7½	16	20
	180	5	13	19	19	28	31
Lucas Inds (*149)	140	15	23	26	5½	13	16
	160	5½	13	18	17	24	28
P. & O. (*535)	500	45	58	67	6	24	35
	550	14	30	42	26	50	62
Pilkington (*103)	100	12	18	20	6	12	16
	110	4	13	16	13	18	23
Prudential (*306)	300	14	21	25	6	15	21
	330	3	8	13	26	36	39
R.T.Z. (*662)	650	28	42	55	14	36	46
	700	7	20	34	46	70	77
Scot. & New (*435)	420	26	41	48	4	12	22
	460	7	20	26	24	32	45
Tesco (*259)	240	24	30	34	2½	7½	12
	260	10	17	23	8	17	21
Thames Wtr (*479)	460	26	38	44	4½	12	22
	500	5	17	21	23	30	45
Vodafone (*376)	360	24	39	47	6½	15	23
	390	8½	23	31	21	30	38

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*368)	360	19	28	35	15	22	27
	390	7	15	23	36	41	45
Amstrad (*24)	20	5½	6	7	½	1½	2½
	25	2½	4	4½	3	4	5
Barclays (*420)	420	22	30	40	30	38	50
	460	8	17	25	57	65	75
Blue Circle (*225)	220	22	28	34	16	27	32
	240	11	18	26	27	38	44
British Gas (*284)	280	14½	16½	23	8	16	20
	300	5½	9	14	19	29	32
Dixons (*220)	220	17	26	31	11	18	26
	240	8½	18	22	25	31	38
Eurotunnel (*406)	390	38	55	68	20	32	38
	420	25	40	54	38	45	57

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Glaxo (*692)	650	57	80	99	16	30	42
	700	29	52	71	38	54	65
Hillsdown (*144)	140	14	19	20	7	18	21
	160	6	11	15	22	31	34
Lonrho (*76)	70	9	13	16	5½	8½	11½
	80	5½	9	11½	11	14½	17
HSBC 75p shs (*538)	500	53	61	72	13	27	35
	550	22	35	49	34	54	60
Natl Power (*293)	280	23	32	36	6½	12	17
	300	11	21	45	16	20	27
Reuters (*1394)	1350	82	120	145	42	70	89
	1400	55	90	123	70	95	115
R. Royce (*126)	120	11	15	19	9	13	15½
	130	6½	14	15½	15	18½	21
Scot Power (*223)	220	12	19	23	6	9	15
	240	4	9	12	18	21	27
Sears (*99)	90	14	16	19	3	5	6½
	100	7½	10	14	6	9	10
Forte (*184)	180	15	19	26	11	20	24
	200	7	12	18	22	32	36
Thorn EMI (*821)	800	47	68	77	17	28	47
	850	21	40	50	41	51	72
TSB (*167)	160	12	16	25	7½	12	16
	180	5	8	12	21	25	28
Vaal Reefs (*534)	30	5	6	6½	3	4	4½
	35	2½	4	4½	5½	6	8
Wellcome (*900)	900	45	74	100	36	55	67
	950	24	51	78	65	85	94

EURO FT-SE INDEX (*2885)

	2625	2675	2725	2775	2825	2875	2925	2975
CALLS								
Feb	190	142	98	60	32	14	5	2
Mar	206	162	122	87	59	37	22	12
Apr	233	-	153	-	89	-	45	-
Jun	-	-	-	-	-	-	-	-
Sep	-	-	-	-	165	-	125	-
Dec	-	-	-	-	205	-	165	-
PUTS								
Feb	3	5	12	24	45	78	119	165
Mar	-	-	28	43	-	95	-	-
Apr	21	-	40	-	-	75	-	129
Jun	-	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-

FT-SE INDEX (*2885)

	2600	2650	2700	2750	2800	2850	2900	2950
CALLS								
Feb	215	166	120	78	45	19	7	2½
Mar	228	184	141	104	73	47	28	15
Apr	243	201	160	125	93	66	47	32
May	267	-	190	-	130	-	82	-
Jun †	351	-	283	-	218	-	117	-
PUTS								
Feb	2	3	6½	14	32	60	99	146
Mar	9	14	20	34	52	79	113	154
Apr	18	27	37	50	68	94	126	164
May	28	39	50	67	87	111	140	175
Jun †	37	-	60	-	100	-	151	-

January 29 Total Contracts 29,600
Calls 19,752 Puts 9,848
FT-SE Index Calls 2,907 Puts 1,899
Euro FT-SE Calls 1,510 Puts 2,782
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT FIXED INTEREST INDICES

	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Year ago	High *	Low *
Govt Secs (UK)	94.76	94.83	94.45	94.46	93.70	87.70	95.54	86.11
Fixed Interest	109.86	109.76	109.50	109.37	109.31	99.86	110.26	97.15

* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Jan 28	227.8	163.1
Jan 27	169.5	145.7
Jan 26	176.9	136.7
Jan 25	126.4	124.8
Jan 22	115.0	122.3

* SE activity indices rebased 1974

TRADITIONAL OPTION 3-month call rates

	p
INDUSTRIALS	
Allied-Lyons	50
Amstrad	3½
Astec (BSR)	3½
BAT Inds	75
BOC	58
BTR	41
Barclays	30
Blue Circle	22
Boots	42
Bowater	40
Brit Aerospace	24
British Steel	6
BT	28
Cadburys	36
Charter Cons.	52
Comm Union	52
Courtaulds	48
Eurotunnel	30
FKI	12
FNFC	7
Forte	14
GKN	40
Gen Accident	31
GEC	22
Glaxo	55
Grand Met	40
GRE	15
Hanson	20
ICI	75
Ladbroke	15
Legal & Gen	38
Lex Service	19
Lloyds Bank	45
Lonhro	7
Lucas Inds	13
Marks Spencer	26
NatWest Bank	30
P & O Dfd	40
Racal Elect	12
RHM	14
Rank Org	53
Ratners	3
Reed Intl	52
Sears	9
SmKl Bchm A	40
TI	28
TSB	12
Tesco	20
Thorn EMI	70
T & N	15
Unilever	72
Vickers	9
Wellcome	75
PROPERTY	
Brit Land	7
Land Sec.	40
MEPC	30
OILS	
Aviva Pet	5
BP	21
Burmah Castrol	60
Conroy Pet	8
Gaelic Res	½
Premier Cons	2½
Shell	36
MINES	
RTZ	52

COMMODITIES

WEEK IN THE MARKETS

Output cut rouses zinc market

THE LONDON Metal Exchange zinc market was roused from its torpor on Thursday when Pasminco, the Australian natural resources group, announced plans for substantial production cuts.

It said market conditions were forcing it to restructure its loss-making lead and zinc operations at Broken Hill – immediately closing the inefficient northern operations, which had been scheduled for closure in 1995, and raising production at the southern operations. Analysts calculated that the net result would be falls of 25,000 tonnes a year in zinc output and 32,600 tonnes a year in *lead* output.

The announcement brought an immediate $52-a-tonne rise in the LME's three months zinc *price and three months lead* gained £6.25 a tonne on the day. Zinc's rise continued in early trading yesterday, when it gained another $10.50 to an eight-week high of $1,137 a tonne. But profit-taking then emerged and by the close the price had been trimmed to $1,118 a tonne, up $41.75 on the week. The lead price eased back 75p yesterday to £294.75 a tonne, up £6 on the week. But the rise illusory – in terms of the US currency, against which sterling was very weak, the price was down about $6.50.

Some analysts were surprised at the violence of the two markets' initial responses to the Pasminco cuts, which they said looked pretty modest when set against stock levels of 1m tonnes for zinc and 640,000 tonnes for lead. Mr William Adams of London trader Rudolf Wolff doubted that the higher price levels would be maintained "unless there are more cuts".

Mr Nick Moore of Ord Minnett, part of the Westpac banking group, pointed out, however, that the Pasminco move had increased this year's prospective zinc supply deficit from 50,000 to 75,000 tonnes and wiped out the expected lead surplus "at one stroke". Furthermore he expected other producers who were finding present price levels hard to live with to follow Pasminco's lead.

Copper prices also appeared firm, with the LME's cash position gaining *£46 to £1,497.50* on the week. But the rise was entirely attributable to sterling's weakness. A sharpish dip *on Monday was reversed the* following day as Chinese buying reappeared and dealers covered against a threatened strike at Enami of Chile's Ventanas smelter. The Enami fears were softened later in the week, however, when El Teniente, also of Chile, said it would be able to process concentrates from Enami if the strike took place.

Oil prices staged a substantial rally this week: first on signs that determination was growing among members of the Organisation of Petroleum Exporting Countries to take positive action at the February 13 ministerial meeting to shore up their depressed market; and then on news that a US senator was proposing the imposition of a $25-a-barrel price floor on the US's oil imports. The London International Petroleum Exchange's April crude oil contract was quoted at $18.50 a barrel in late trading yesterday, down 19 cents from Thursday's close but $1.04 up from the end of last week.

Talks held this week by Mr Alirio Parra of Venezuela, the Opec president, with Middle Eastern oil ministers are reported to have revealed a much more constructive attitude on the need for effective control of production than was *evident previously. In particu*lar the market was encouraged by indications from the Kuwaiti minister, Mr Ali al-Baghli, that his country would be prepared to cut output as part of a concerted effort to reduce the cartel's daily production by about 1m barrels to 24m barrels.

The market's reaction to the proposal by Democratic Senator Bennett Johnston of Louisiana for the imposition of a variable fee on US oil imports at under $25 a barrel was, at first sight, paradoxical. Although they did not believe the legislation would ever reach the statute books they regarded its proposal as distinctly bullish.

"When the biggest consumer and importer of oil says it wants to push the price up to $25 a barrel the natural reaction of the exporters may be to say 'let's do it for them'," explained Mr Mehdi Varzi, oil analyst at Kleinwort Benson.

At the London Futures and Options Exchange the robusta coffee market began with a continuation of last week's sharp price fall, but then staged a quite spirited rally. The initial fall took the March futures position, which last week fell $71 to $904 a tonne down to $801 a tonne at one stage. Dealers blamed pessimism about the International Coffee Agreement talks being held in London and chart-based selling in New York.

While the price was still falling, however, dealers were warning that the market had become heavily oversold . *"This market is not trading on* fundamentals, but is being moved by the weight of money wielded by the [investment] funds," commented Mr Lawrence Eagles, analyst with London Futures broker GNI.

The bounce, when it came was equally technical and almost equally sharp. An $18 rise yesterday took the March position to $895 a tonne, down just $9 on the week.

Cocoa prices also came under pressure from selling by investment funds in New York, but the sterling-denominated London market was cushioned by the pound's slide. The May futures price closed yesterday at £716 a tonne, down £23 on the week, but had it not been for the currency factor the fall would have been nearly £50.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+6,300	to 1,623,200
Copper	-4,975	to 311,325
Lead	+2,500	to 235,025
Nickel	+732	to 78,804
Zinc	+6,175	to 519,600
Tin	+400	to 16,075

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Jan 29	Day's change %	Thu Jan 28	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	128.33	+0.11	128.19	1.04	1.67
2	5-15 years (23)	146.94	+0.09	146.82	2.01	1.54
3	Over 15 years (8)	152.47	+0.12	152.28	1.53	1.05
4	Irredeemables (6)	171.88	-0.39	172.55	2.48	0.00
5	All stocks (60)	142.86	+0.09	142.73	1.62	1.51
	Index-Linked					
6	Up to 5 years (2)	185.58	-0.24	186.03	1.29	0.00
7	Over 5 years (11)	167.71	-0.15	167.95	0.58	0.62
8	All stocks (13)	168.91	-0.16	169.18	0.66	0.55
9	Debs & Loans (62)	125.49	-0.08	125.59	3.27	0.26

AVERAGE GROSS REDEMPTION YIELDS

			Fri Jan 29	Thu Jan 28	Year ago (approx.)	1992/93 High	1992/93 Low
	British Government						
1	Low	5 years	6.59	6.59	8.66	10.03 15/9 /92	6.59 28/1 /93
2	Coupons	15 years	8.13	8.14	9.20	9.72 1 /4 /92	8.06 12/11/92
3	(0%-7¾%)	20 years	8.46	8.46	9.20	9.72 1 /4 /92	8.34 12/11/92
4	Medium	5 years	7.10	7.10	9.54	10.28 1 /4 /92	7.10 29/1 /93
5	Coupons	15 years	8.59	8.59	9.30	9.82 1 /4 /92	8.47 11/11/92
6	(8%-10¾%)	20 years	8.81	8.82	9.24	9.76 1 /4 /92	8.71 12/11/92
7	High	5 years	7.30	7.33	9.81	10.50 1 /4 /92	7.30 29/1 /93
8	Coupons	15 years	8.86	8.85	9.39	9.96 1 /4 /92	8.76 11/11/92
9	(11%-)	20 years	8.96	8.94	9.31	9.90 5 /10/92	8.87 11/11/92
10	Irredeemables (Flat Yield)		8.88	8.84	9.41	9.92 2 /4 /92	8.69 11/11/92
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	2.17	2.07	3.77	5.06 16/9 /92	2.07 28/1 /93
12	Inflation rate 5%	Over 5 yrs.	3.71	3.70	4.25	4.76 16/9 /92	3.67 30/10/92
13	Inflation rate 10%	Up to 5yrs.	1.34	1.23	3.03	4.23 16/9 /92	1.23 28/1 /93
14	Inflation rate 10%	Over 5 yrs.	3.53	3.51	4.05	4.56 16/9 /92	3.49 30/10/92
15	Debs &	5 years	8.70	8.66	10.95	11.51 6 /4 /92	8.62 11/11/92
16	Loans	15 years	9.73	9.70	10.75	11.22 6 /4 /92	9.68 11/11/92
17		25 years	9.94	9.93	10.59	11.02 6 /4 /92	9.93 11/11/92

INTERNATIONAL COMPANIES AND FINANCE

Charges drive Xerox to $1bn shortfall

By Martin Dickson in New York

XEROX yesterday announced strong fourth-quarter growth in its core document processing business while also reporting a $1bn net loss for 1992 after taking previously announced special charges.

The company announced earlier this month that it was selling off its troubled financial services operations and taking a fourth-quarter after-tax charge of $778m to cover this.

Xerox reported a fourth-quarter loss after charges of $736m, or $7.80 a share, compared with net income of $91m, or 73 cents a share, in the same period of last year.

For the full year, the company reported a loss of $1.02bn, or $11.29 a share, after taking other charges, including a large non-cash charge for an accounting change. In 1991 it had net income of $454m, or $3.91 a share.

The company estimated that, excluding all its special charges, 1992 earnings were $628m, or $5.65 a share, compared with $555m, or $4.97 a share in 1991.

In the fourth quarter, earnings from the document processing business were $226m, or $2.12 a share, compared with $188m, or $1.76 a share, a year earlier.

Mr Paul Allaire, chairman, said that growth in document processing, achieved in spite of a weak economy, had been due to strong customer acceptance of Xerox's new digital products.

"Sales of the Xerox DocuTech Publishing series and our state-of-the-art full-colour copiers have exceeded our expectations and sales of new electronic laser printers are accelerating," he said. The company's market share had been increasing.

Document processing revenues rose 10 per cent in the fourth quarter to $4.2bn, from $3.8bn, and for the full year were up 6 per cent at $14.7bn. Excluding the effect of foreign currencies, revenues grew 7 per cent in the latest quarter and 5 per cent in the full year.

Revenue and income in the US grew at a faster pace in the fourth quarter than in the first half of the year, but revenues and income from Japanese and certain European operating companies remained adversely affected by weak economic conditions.

Mr Allaire said the company expected to see further benefits from its new range in 1993 as it continued to introduce new products.

US mobile phone companies hit by brain cancer scare

By Martin Dickson

SHARES IN US companies involved in the cellular telephone industry have plummeted this week as America has been gripped by a scare linking use of mobile phones to brain cancer.

Among companies hardest hit have been Motorola, the world's largest manufacturer of cellular telephones, and McCaw Cellular, the biggest US operator of a cellular telephone service. Both companies, as well as other industry representatives, insist the phones are safe.

Whether the alleged health threats are real or not, the public anxiety sweeping the US could slow the industry's rapid growth, which in recent years has been averaging 30 to 40 per cent a year.

The scare began late last week on the popular television phone-in programme, Larry King Live. Mr David Reynard, a resident of Florida, claimed on the programme that his wife had been killed by her heavy use of a cellular phone. He said a cancerous brain tumour had developed near the point where the telephone's antenna would have been positioned when the instrument was used.

Mr Reynard is suing NEC, the Japanese electronics group which made the telephone, and a subsidiary of GTE, the telecommunications group which provided the local service.

Public anxiety was intensified by the coincidental fact that Mr Reynard's announcement came just days after two leading US business chairmen, Mr Michael Walsh of Tenneco and the late Mr Reginald Lewis of TLC Beatrice, were revealed to have brain cancer. It was not clear, however, that either man was a particularly heavy user of cellular telephones.

As health worries escalated this week, the cellular industry tried strenuously, but with limited success, to dispel fears of the electro-magnetic radio waves emitted by the phones.

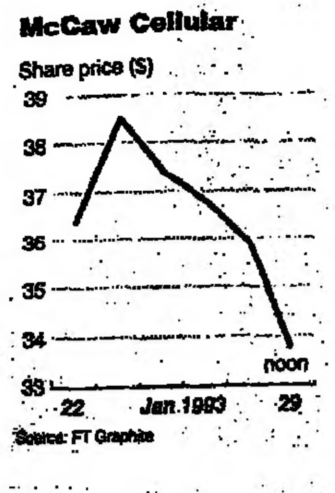
Motorola insisted the safety of its phone was "rooted in scientific fact", and produced several papers on the effects of radio waves on humans and animals. "If we had any concern that they caused a health problem, we would stop selling them immediately," said Mr Edward Staiano, president of the division which makes the phones.

However, critics were quick to point out that the evidence advanced by Motorola included only one study – and that incomplete – of the effects on human cells in the frequency spectrum specifically used for cellular communications.

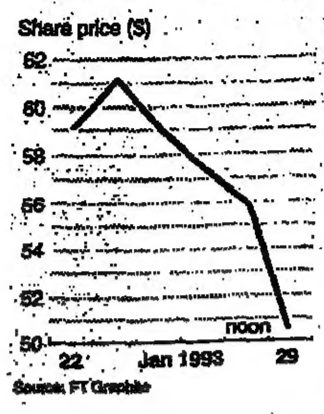
By the end of the week, the consensus on Wall Street was that while there is no firm evidence that cellular phones cause brain cancer, nor has the industry yet been able to produce conclusive evidence that they do not. In the absence of that reassurance, public anxieties could persist for months.

Yesterday, phone dealers across the US reported orders which have been stalled or cancelled because of the scare. Even hard-headed Wall Street analysts were thinking twice about relying quite so heavily on this symbol of yuppiedom.

McCaw Cellular



Motorola



Japanese paper groups in Y630bn merger

By Emiko Terazono in Tokyo and Paul Abrahams

OJI PAPER, Japan's biggest paper company, yesterday announced it was combining with Kanzaki Paper, the fifth largest, in one of Japan's largest industrial mergers. The merged group, linking the country's two most profitable paper companies, will have a market capitalisation of about Y630bn ($5.07bn).

The move follows the decision by Jujo Paper and Sanyo-Kokusaku Pulp to merge this April, creating Japan Paper Industries, the market leader.

Oji said its merger with Kanzaki would create the country's second largest group in terms of overall sales. However, the group would be the largest paper manufacturer with an annual output of 3.5m tonnes. The combined company would also be more profitable than Japan Paper Industries. Kanzaki is the country's largest coated paper manufacturer, a high-margin product.

The terms of the merger are five Oji shares for six Kanzaki shares. On the Tokyo stock exchange, Kanzaki was trading up Y11 at Y615 and Oji down Y4 at Y871 before being suspended ahead of the official announcement.

The paper industry has been particularly exposed to the economic slump, as it expanded capacity rapidly during the late 1980s, causing a severe glut amid the current fall in demand.

Oji Paper said the industry faced the worst recession since the second world war. Demand was flat during 1992 and could decline this year. Japanese paper companies are struggling with high costs of wood and labour, and are also facing increasing environmental costs.

The industry's plight has been exacerbated by increasing overseas pressure for an open Japanese domestic market. Last April, the Japanese government signed an agreement with the US to import more paper into its $27bn domestic paper and paperboard market. US companies presently have only 1.7 per cent of the market.

"These mergers are a fantastic device for closing down excess capacity, which is presently between 10 and 15 per cent above demand," said Mr Thomas Clephane, partner at Morgan Stanley in New York.

However, although the new company would rationalise some production facilities, Oji said it would not cut any staff. The difficulty in rationalisation through reducing personnel has made mergers among Japanese companies slow in producing positive results.

Sanyo Electric falls to loss of Y1.29bn

By Charles Leadbeater in Tokyo

SANYO Electric, the Japanese consumer electronics group, will press ahead with a sweeping restructuring in an attempt to improve profitability after reporting a net loss of Y1.29bn ($10.38m) for the year to the end of last November.

Sanyo said it would introduce a decentralised management system focused on distinct profit centres, from manufacturing to customer services. The company added it would restructure its ailing audio visual products and office automation businesses to cut costs and improve profitability.

The restructuring, which has included a shake-up of senior management, marks a sharp shift in strategy.

In the late 1980s, Sanyo – in common with the rest of the Japanese electronics industry – focused on expanding market share and sales volumes through the rapid introduction of a widening array of products. But Japanese companies are under increasing pressure to cut costs in order to improve profitability after three successive years of falling profits.

Sanyo Electric's sales fell by 3.2 per cent to Y1,537bn, largely due to the slowdown in Japan combined with falling exports to Europe and sluggish growth in the US.

Operating income fell by 76.8 per cent to Y11.5bn, while pre-tax profits were 98.6 per cent down at Y562m.

● Canon, the camera and copier maker, yesterday announced a senior management reshuffle, with the promotion of Mr Hajime Mitarai, the managing director, to the company's presidency. He will succeed Mr Keizo Yamaji, who will become chairman.

Tokyo banks close to accord on loans group

By Robert Thomson in Tokyo

LEADING Japanese banks are close to agreement with the Ministry of Finance and the Bank of Japan on a bail-out for Nippon Housing Loan, a housing finance company with an estimated Y1,300bn ($10.46bn) in non-performing loans.

Nippon Housing, founded by nine commercial banks in 1971, had been a leading lender to new home buyers, but became more adventurous during the late 1980s, leaving it with a large exposure to troubled property developers.

The restructuring of Nippon Housing is made sensitive by its large borrowings from farm-related institutions, which pumped money into Nippon Housing as other commercial banks were increasingly reluctant to lend because of its high-risk exposure to developers.

One Japanese banker said yesterday that nine banks – including Sanwa and Sakura, which have the largest exposure among commercial banks – will lower the interest rates on loans to Nippon Housing to 1.5 per cent or less.

Other institutions, including those linked to agricultural co-operatives, are expected to cut their rates to around 3.25 per cent, the same as the official discount rate (ODR).

In return, the commercial banks are expecting assistance from the Bank of Japan, which is likely to channel funds to them, directly or indirectly, at the ODR, enabling them to profit from the difference in market rates.

While the interest rates will be reduced sharply, the banks' exposures to Nippon Housing Loan will not be counted in their non-performing loan amounts, which only include loans on which there has been no repayment for six months.

However, the rapidly rising amount of loans with reduced rates is becoming as large a burden for the banks as their bad loans. These reductions have been given to a range of corporate clients and affiliated institutions weakened by falls in stock and property prices.

The final rescue package for Nippon Housing, likely to be decided next week, will be a model for the restructuring of other housing loan companies, which have similar problems.

Nippon Steel expands electronics business

By Robert Thomson

NIPPON STEEL, the leading Japanese steel maker, is to expand its electronics business by paying about Y35.5bn ($286m) for a majority stake in the lossmaking NMB Semiconductor (NMBS), which has run out of investment funds.

The ailing NMBS is a subsidiary of Minebea, the Japanese bearings maker, which has agreed to sell its 56 per cent stake for Y5.5bn, while Nippon Steel will also take on Y30bn of the chip maker's outstanding debt.

NMBS was founded by Minebea in 1984, but has been unable to keep pace in the increasingly expensive semiconductor race.

For Nippon Steel, the acquisition, due to be completed by the end of March, provides an opportunity to expand its electronics business, but the purchase will expose the company to the cut-throat competition of the international chip market.

The past two years have been particularly difficult for NMBS, which reported a loss of Y12.4bn in the year ended September, leaving the company without the resources to take advantage of a recent upturn in sales for its main product, memory chips.

Minebea has also been burdened by NMBS, having reported a consolidated loss of Y13.6bn last year. Mr Iwao Ishizuka, Minebea's chairman, said the sale would allow his company to concentrate on its core business, as NMBS has been losing at least Y1bn a month.

However, his company will be forced to write-off Y44bn in outstanding loans to NMBS, and now expects a net loss of about Y50bn in the first half, ending in March, compared with a previously forecast profit of Y1.8bn.

When the acquisition is complete, NMBS will be renamed Nippon Steel Semiconductor, and the steel maker expects that turning the company around will take about three years.

Mr Takashi Imai, Nippon Steel vice-president, said agreement had been reached after a month of negotiation, and that the change of ownership would not affect an existing NMBS partnership with Intel, the US electronics company.

Kugelfischer to cut workforce by 40% as deficit rises to DM330m

By David Waller in Frankfurt

FAG Kugelfischer, the large German ball-bearings manufacturer, yesterday announced a major restructuring plan in the face of serious liquidity difficulties and large losses.

In one of the most drastic responses to the business slowdown in Germany, the company is planning to cut its workforce by more than 40 per cent, from 31,000 to 18,000. It aims to do this by selling off non-core businesses with turnover of DM800m ($506.3m) and by cutting 6,500 jobs from the remaining businesses.

The company disclosed that it made a loss of DM330m last year on turnover of DM3.6bn, down from DM3.9bn. It blamed "the most intense and prolonged worldwide economic downturn since the [second world] war," exacerbated by weakness in demand for investment goods, the collapse in demand from the former Soviet Union, and the problems of the German car industry.

A special factor was the catastrophic acquisition of an east German ball-bearing business from the Treuhand privatisation agency in late 1990. Kugelfischer disclosed that Chemnitz-based DKFL Deutsche Kugellagerfabriken lost DM142m in 1991 on turnover of DM113m, and last year made similar losses on scarcely increased sales.

Kugelfischer is more than 100 years old and is still controlled by the Schäfer family. It came to the stock market in 1985, after which it pursued an aggressive acquisitions programme. It now plans to reverse this strategy and concentrate on the core roller-bearings, textile and extraction technologies.

Mr Kajo Neukirchen, the former chief executive of Hoesch, is to be appointed as supervisory board chairman to oversee the restructuring. He has been acting as "company doctor" for some months and has led negotiations with the company's banking creditors, believed to be owed hundreds of millions of D-Marks.

At the company's headquarters in Schweinfurt, northern Bavaria, Mr Neukirchen said that banks had agreed to provide liquidity support. Barring "worst case" scenarios, he predicted that the level of operating losses would be cut substantially by the end of the current year and that the group would again be making an operating profit.

Dresdner Bank, believed to be one of the company's leading creditors, said yesterday that it welcomed the restructuring plan and the appointment of Mr Neukirchen. Other creditor banks are believed to include Commerzbank, Bayerische Hypo-Bank, Bayerische Landesbank, Deutsche Bank and Landesbank Rheinland-Pfalz.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	$330.35	+1.1	$355.4	$358.40	$327.35
Silver Per troy oz	246.75p	+2.2	231.70p	249.50p	187.58p
Aluminium 99.7% (cash)	$1202.5	+6.25	$1221.5	$1339.0	$1105.5
Copper Grade A (cash)	£1497.5	+46	£1220.5	£1561.0	£1125.0
Lead(cash)	£285.5	+8	£283.5	£383.5	£277.50
Nickel (cash)	$5800	-135	$7665.0	$8195.0	$5315
Zinc SHG (cash)	$1099	+41.5	$1159.0	$1457.5	$1019.0
Tin (cash)	$5840	-95	$5428.5	$7115.0	$5425.0
Cocoa Futures (May)	£716	-23	£756	£751	£523
Coffee Futures (Mar)	$895	-9	£505	$1039	$676
Sugar (LDP Raw)	$213.0	-0.1	$204.6	$272.6	$193
Barley Futures (May)	£136.0	-	£122.15	£138.10	£106.90
Wheat Futures (May)	£140.85	+1.6	£127.20	£140.85	£109.85
Cotton Outlook A Index	58.25c	-0.75	58.95c	65.90c	52.25c
Wool (64s Super)	390p		411p	480p	364p
Oil (Brent Blend)	$18.475x	+1.125	$18.125	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Mar.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$16.00-6.05	-.075
Brent Blend (dated)	$18.50-8.60	-.175
Brent Blend (Mar)	$18.45-8.50	
W.T.I (1 pm est)	$20.25-0.30	-.175
Oil products		
(NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$192-194	+4
Gas Oil	$173-174	-1
Heavy Fuel Oil	$71-72	
Naphtha	$182-184	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$330.35	+0.2
Silver (per troy oz)♣	369.50c	+1
Platinum (per troy oz)	$364.50	+2.25
Palladium (per troy oz)	$112.35	+2.1
Copper (US Producer)	104.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	15.20r	+0.10
Tin (New York)	268.0c	-4.5
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	119.57p	+3.17*
Sheep (live weight)†♣	94.36p	+7.08*
Pigs (live weight)†	79.55p	+4.06*
London daily sugar (raw)	$213.0	-4.1
London daily sugar (white)	$260.70	-2.5
Tate and Lyle export price	£250.50	-2
Barley (English feed)	£138.00u	
Maize (US No 3 yellow)	£165.0	+3.25
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	67.75p	+2.25
Rubber (Apr)♥	68.00p	+2.0
Rubber (KL RSS No 1 Feb)	242.0m	+0.5
Coconut oil (Philippines)§	$440.0y	+2.5
Palm Oil (Malaysian)§	$410.0w	-2.5
Copra (Philippines)§	$280	+10
Soyabeans (US)	£177	+0.5
Cotton "A" Index	58.25c	-0.3
Wooltops (64s Super)	390p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb.x-Aug. w-Feb/Mar z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	188.00		187.00	187.00
May	195.00		195.00	195.00
Aug	196.00	196.00	195.00	195.00
White	Close	Previous	High/Low	
Mar	254.50	255.80	254.80	251.80
May	256.00	257.00	256.60	253.50
Aug	259.80	260.80	260.00	258.00
Oct	244.40	244.90	245.20	242.50
Dec	244.90	246.80	244.00	242.50

Turnover: Raw 7 (7) lots of 50 tonnes. White 1414 (1726) Paris- White (FFr per tonne): Mar 1417.31 May 1431.87

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Mar	18.49	18.62	18.65	18.40
Apr	18.51	18.69	18.65	18.42
May	18.55	18.74	18.67	18.43
Jun	18.55	18.79	18.71	18.54
Jul	18.69	18.78	18.75	18.60
Aug	18.73	18.86	18.80	18.69
Sep	18.75	18.92	18.84	18.73
Oct	18.80	18.95	18.85	18.77
Nov	18.82		18.89	18.82
IPE Index	18.31	18.00		

Turnover 37472 (57853)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Feb	169.50	168.25	172.50	169.50
Mar	170.50	169.25	173.00	170.25
Apr	171.00	169.00	172.25	170.00
May	170.50	169.00	171.50	170.00
Jun	170.00	169.00	171.25	170.00
Jul	172.00	171.25	173.00	171.50
Aug	174.50		176.00	176.00
Sep	176.50		178.00	176.50
Oct	178.75		180.50	

Turnover 18803 (13226) lots of 100 tonnes

SPICES

Cassia spot stocks are more or less exhausted, reports Man-producten. Kb b/c afloat US$1,550 a tonne, shipment $1,350; ka/va sticks afloat $2,200, shipment $2,000 cif. Cinnamon: Madagascar FF5.75 a kg cif. Seychelles $1,175 a tonne cif. Pimento: Mexican spot $1,850, shipment $1,775 cif; Jamaican $2,350 spot, shipment $2,175. Nutmegs-mace: average size crops in Indonesia and Grenada coming in; Indonesian shipment bwp $975, shrivels $900 and abcd $1,000 - all cif. Pepper: white muntok spot $1,750, nearby shipments $1,725; black spot Sarawak $1,300, shipment $1,275 cif.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	703	703	711	699
May	716	715	723	710
Jul	729	727	736	723
Sep	741	740	747	736
Dec	761	760	766	756
Mar	782	782	787	780
May	796		800	794
Jul	813		815	808
Sep	827	823	828	826

Turnover: 7253 (6880) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 28 726.53 (731.25) 10 day average for Jan 27 757.65 (761.91)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	881	873	897	884
Mar	895	877	897	883
May	898	885	903	888
Jul	888	874	891	878
Sep	896	887	900	895
Nov	917	897	912	907

Turnover:2210 (2795) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 28: Comp. daily 53.51 (53.57) 15 day average 57.65 (58.10)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	54.0	54.0	54.0	53.9
May	62.5	62.5	63.0	62.0
Apr	90.0	90.0	89.0	87.5

Turnover 87 (166) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	154.50		154.50
Jun	145.00		145.00
Aug	146.00		146.00

Turnover 70 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1276	1275	1275	1275
Feb	1285	1299	1300	1284
Mar	1293	1305	1300	1295
Apr	1290	1302	1297	1290
BFI	1278	1279	1278	

Turnover 131 (209)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	139.00	138.25	139.00	138.50
May	140.65	140.00	140.80	140.15
Sep	110.55		110.50	110.25
Nov	112.40	112.00	112.55	112.30
Barley	Close	Previous	High/Low	
Mar	135.05	135.00	135.25	135.00
May	136.00	136.20	136.20	
Sep	108.80		108.80	
Nov	111.55		111.50	

Turnover: Wheat 478 (126), Barley 200 (189).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	105.0	103.5	105.0

Turnover:2 (13) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 19,825 lots	
Cash	1202-03	1205-06	1204	1203.5-04		
3 months	1224-25	1226.5-27	1228/1222	1226-26.5	1223-23.5	164,130 lots
Copper, Grade A (£ per tonne)					Total daily turnover 31,875 lots	
Cash	1497-98	1493-94	1482.5/1482	1481.5-82		
3 months	1515.5-16	1510-11	1516/1500.5	1500.5-01	1515-16	154,084 lots
Lead (£ per tonne)					Total daily turnover 2,497 lots	
Cash	285-86	286-86.5	283.75	283.50-3.75		
3 months	294.5-95	295-96	296/293	293-3.5	296-97	18,511 lots
Nickel ($ per tonne)					Total daily turnover 7,337 lots	
Cash	5795-805	5840-50	5818	5818-20		
3 months	5860-70	5910-15	5970/5860	5860-61	5870-75	43,644 lots
Tin ($ per tonne)					Total daily turnover 1,596 lots	
Cash	5835-45	5905-10		5855-65		
3 months	5895-900	5960-65	5980/5850	5920-25	5850-55	8,542 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 23,486 lots	
Cash	1098-100	1096-97	1110/1109.5	1109-09.5		
3 months	1117-19	1115-15.5	1137/1116	1127-27.5	1118.5-19	89,644 lots

LME Closing £/$ rate:
SPOT: 1.4870 3 months: 1.4690 6 months: 1.4583 9 months: 1.4614

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	330.20-330.50	
Opening	330.50-330.90	
Morning fix	330.75	220.060
Afternoon fix	330.45	221.461
Day's high	331.60-331.90	
Day's low	330.20-330.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.50	6 months	1.99
2 months	1.60	12 months	2.14
3 months	1.88		

Silver fix	p/troy oz	US cts equiv
Spot	246.75	370.75
3 months	250.45	373.45
6 months	253.05	376.45
12 months	260.80	383.75

GOLD COINS	$ price	£ equivalent
Krugerrand	330.50-333.50	219.00-221.00
Maple leaf	340.15-342.35	-
New Sovereign	79.00-82.00	52.00-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	26	59	13	21
1225	16	45	25	32
1250	7	33	42	44
Copper (Grade A)	Calls		Puts	
2200	59	85	21	51
2250	32	60	44	76
2300	15	41	78	106
Coffee	Mar	May	Mar	May
850	55	78	10	30
900	25	51	30	53
950	9	33	64	85
Cocoa	Mar	May	Mar	May
675	33	58	5	17
700	17	42	14	26
725	8	30	30	38
Brent Crude	Mar	Apr	Mar	Apr
1700	-	-	-	20
1750	-	130	3	30
1800	69	101	7	47

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Feb	330.2	330.5	332.7	330.0
Mar	330.4	330.8	0	0
Apr	330.7	331.1	333.0	330.6
Jun	331.9	332.3	334.3	331.7
Aug	333.3	333.7	335.2	334.3
Oct	334.8	335.1	0	0
Dec	336.3	336.8	338.5	337.1
Feb	338.0	338.3	0	0
Apr	339.9	340.2	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	362.8	363.1	366.5	362.0
Jul	359.3	359.5	361.5	358.5
Oct	357.3	357.5	362.0	362.0
Jan	356.8	358.0	358.0	358.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Feb	365.2	370.0	0	0
Mar	366.0	370.8	372.5	365.5
May	368.4	373.2	375.0	368.0
Jul	370.6	375.4	377.5	370.0
Sep	373.0	377.8	379.5	379.5
Dec	376.8	381.6	382.0	378.0
Jan	377.8	382.6	0	0
Mar	381.2	386.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	98.50	99.90	99.15	98.40
Mar	98.95	100.35	99.80	98.90
Apr	99.20	100.50	99.80	99.55
May	99.45	100.80	100.10	99.40
Jun	99.60	100.70	100.30	100.00
Jul	99.75	100.85	100.30	99.70
Aug	99.85	100.95	100.40	100.00
Sep	100.05	101.10	100.60	100.00

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	20.22	20.41	20.50	20.14
Apr	20.29	20.43	20.54	20.18
May	20.36	20.47	20.53	20.23
Jun	20.36	20.51	20.57	20.28
Jul	20.38	20.55	20.60	20.32
Aug	20.46	20.57	20.56	20.35
Sep	20.44	20.59	20.63	20.37
Oct	20.47	20.61	20.60	20.40
Nov	20.55	20.60	20.60	20.42
Dec	20.55	20.59	20.60	20.40

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	55.60	56.47	57.10	55.30
Mar	56.30	56.85	57.60	56.00
Apr	56.45	56.85	57.40	56.25
May	56.05	56.28	56.70	55.95
Jun	55.90	56.08	56.50	55.65
Jul	56.25	56.26	56.85	56.00
Aug	56.65	56.68	57.20	56.70
Sep	58.15	58.03	58.50	58.15
Oct	59.00	58.98	0	0
Nov	60.00	59.78	60.10	60.00

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	912	923	918	895
May	941	951	947	930
Jul	966	973	970	954
Sep	991	998	993	984
Dec	1025	1029	1025	1020
Mar	1060	1063	1056	1045
May	1081	1084	1079	1077
Jul	1098	1101	0	0
Sep	1124	1127	0	0
Dec	1154	1157	1152	1152

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	58.30	58.30	59.40	57.85
May	64.25	64.10	65.10	63.75
Jul	65.90	65.90	67.10	65.75
Sep	68.00	67.80	68.66	67.70
Dec	70.70	70.60	71.60	70.70
Mar	73.30	73.10	73.50	73.30
May	75.25	75.10	75.50	75.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.30	8.47	8.44	8.28
May	8.57	8.69	8.65	8.50
Jul	8.70	8.77	8.76	8.65
Oct	8.61	8.68	8.66	8.59
Mar	8.55	8.72	8.71	8.55
May	8.61	8.74	8.75	8.75

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	59.34	58.76	59.38	58.60
May	60.18	59.61	60.20	59.51
Jul	61.15	60.61	61.20	60.70
Oct	60.52	60.33	60.50	60.50
Dec	59.55	59.27	59.75	59.28
Mar	60.25	59.95	0	0
May	60.90	60.55	0	0
Jul	61.35	61.05	61.35	61.35

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	71.65	70.70	72.00	70.20
May	74.90	73.90	75.05	73.10
Jul	77.35	77.00	78.00	76.30
Sep	79.95	79.90	81.00	78.60
Nov	81.75	81.50	83.50	82.00
Jan	85.95	85.55	87.00	86.00
Mar	87.60	87.60	88.00	88.00
May	89.05	89.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jan.29	Jan.28	mnth ago	yr ago
1702.1	1691.3	-	1591.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.28	Jan.27	mnth ago	yr ago
Spot	121.31	121.17	121.24	115.60
Futures	121.33	121.08	121.65	122.76

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	574/0	572/6	575/0	572/6
May	575/6	575/2	577/2	575/0
Jul	579/6	579/2	581/2	579/0
Aug	581/0	580/4	582/4	581/0
Sep	580/6	581/0	583/0	580/4
Nov	586/2	586/2	588/2	586/2
Jan	593/6	594/2	596/0	593/4
Mar	601/0	601/0	602/0	601/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	20.76	20.78	20.90	20.66
May	20.99	21.04	21.15	20.90
Jul	21.20	21.22	21.32	21.10
Aug	21.25	21.28	21.32	21.21
Sep	21.26	21.26	21.35	21.21
Oct	21.28	21.26	21.35	21.23
Dec	21.37	21.38	21.45	21.28

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	181.2	181.5	181.8	180.8
May	181.4	181.6	182.1	181.3
Jul	182.8	183.1	183.3	182.7
Aug	183.4	183.8	184.2	183.4
Sep	184.2	184.6	184.6	184.1
Oct	185.3	186.0	185.7	185.2
Dec	187.0	188.0	187.9	187.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	214/4	215/0	215/4	214/0
May	222/2	223/0	223/4	222/0
Jul	229/6	230/0	230/2	229/2
Sep	235/6	236/0	236/6	235/6
Dec	242/4	242/4	243/2	242/2
Mar	249/4	249/2	250/0	249/0
May	254/2	254/0	254/2	254/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	380/0	375/4	380/4	375/0
May	352/6	350/0	353/4	349/0
Jul	328/6	326/2	329/6	325/2
Sep	331/4	329/6	332/2	329/0
Dec	338/4	336/4	340/0	336/4
Mar	343/4	341/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	77.500	77.400	77.650	77.350
Apr	76.850	76.625	77.050	76.575
Jun	72.525	72.550	72.825	72.500
Aug	70.850	71.150	71.250	70.800
Oct	71.400	71.675	71.925	71.400
Dec	71.850	72.225	72.250	71.800
Feb	77.500	77.400	77.650	77.350

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	44.025	43.750	44.200	43.850
Apr	43.800	43.325	43.950	43.425
Jun	48.475	48.050	48.550	48.175
Jul	47.850	47.550	47.925	47.600
Aug	45.800	45.525	45.600	45.500
Oct	41.750	41.600	41.750	41.550
Dec	42.700	42.600	42.750	42.700

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	34.975	34.375	35.500	34.600
Mar	35.750	35.075	36.050	35.400
May	36.750	36.250	37.050	36.550
Jul	37.200	36.675	37.500	37.050
Aug	36.200	35.700	36.300	35.900

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Punt at three ERM floors

THE IRISH PUNT was beleaguered inside the European exchange rate mechanism yesterday, falling for the first time to its ERM floors against 3 currencies, *writes James Blitz*.

The Irish currency has survived two speculative attacks in the last six months, but yesterday's pressures were acutely intense.

Two commercial banks in Dublin raised their prime rates to 28 per cent from 16-17 per cent, putting the burden of defending the currency firmly on Ireland's consumers and businesses.

The punt's fall to its ERM floor against the D-Mark for the first time since September also highlighted how severe the selling pressure has been this week. For most of yesterday it was trading below its ERM floors against the Belgian franc and Dutch guilder.

Ireland's coalition government has ruled out a devaluation of the currency, and there was no sign yesterday of a European Monetary Committee being convened to consider an *ERM realignment*.

There are good arguments against one taking place this weekend. The French, for example, are still opposed to any readjustments of the ERM ahead of their March elections, for fear that instability could spill over to the franc.

However, the punt is now considered by some analysts to be heavy overvalued against sterling. Many analysts believe its position is unsustainable.

Concerns remain that a punt devaluation could be followed by renewed selling of the French franc, as dealers seem out a new currency to victimise in the ERM.

Although the French franc sat comfortably at around FFr3.85 against the D-Mark yesterday, French 1-month money rose to 13¼ per cent as ERM tensions grew. However, France's socialist party has virtually acknowledged defeat in the March parliamentary elections, and it may keep rates at these levels until the poll is over.

The dollar yesterday rose more than 3 pfennigs against the D-Mark after the release of figures showing that durable goods orders jumped a startling 9.1 per cent in December.

The dollar rose nearly 2½ pfennigs against the D-Mark, closing at DM1.6090. It pushed sterling to a six year low of $1.4830. The pound closed in London at $1.4870, some 3 cents down on the day.

Sterling fell back 1¼ pfennigs against the D-Mark, closing at DM2.3925. However, Mr Jim O'Neill, head of research at Swiss Banking Corp in London, believes that the pound will be underpinned at DM2.38 because the recent gloom about the UK economy has been over-exaggerated.

£ IN NEW YORK

Jan.29	Latest	Previous Close
£ Spot	1.4865-1.4875	1.5150 1.5160
1 month	0.40-0.39pm	0.40 0.39pm
3 months	1.15-1.12pm	1.16 1.13pm
12 months	3.15-3.05pm	3.25 3.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.29	Previous
8.30 am	78.8	78.8
9.00 am	78.7	78.8
10.00 am	78.5	78.8
11.00 am	78.4	78.5
Noon	78.4	78.6
1.00 pm	78.5	78.6
2.00 pm	78.3	78.6
3.00 pm	78.4	78.5
4.00 pm	78.2	78.5

CURRENCY RATES

Jan 29	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.916103	0.814578
U.S Dollar	3.00	1.38808	1.22081
Canadian $	7.27	1.76397	1.54774
Austrian Sch	8.25	15.3813	13.7207
Belgian Franc	7.75	45.0293	40.1615
Danish Krone	9.50	8.44508	7.52139
D-Mark	8.25	2.18803	1.95024
Dutch Guilder	7.75	2.46481	2.19465
French Franc	10	7.42970	6.59969
Italian Lira	12.00	2053.44	1809.87
Japanese Yen	3.25	172.900	152.198
Norway Krone	–	9.31610	8.31126
Spanish Peseta	–	156.407	138.709
Swedish Krona	11.50	N/A	8.84902
Swiss Franc	5.50	2.00716	1.79849
Greek Drach	19	N/A	261.777
Irish Punt	–	N/A	0.743352

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.28

CURRENCY MOVEMENTS

Jan 29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.2	-31.01
U.S Dollar	66.5	-11.70
Canadian Dollar	95.3	-7.22
Austrian Schilling	115.5	+17.01
Belgian Franc	116.4	+2.21
Danish Krone	118.5	+11.79
D-Mark	126.1	+32.63
Swiss Franc	110.2	+16.62
Dutch Guilder	120.0	+21.43
French Franc	110.6	-6.31
Lira	82.2	-33.39
Yen	151.7	+87.50
Peseta	100.3	-23.95

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.28

OTHER CURRENCIES

Jan 29	£	$
Argentina	1.4910 - 1.4925	1.0000 - 1.0010
Australia	2.2000 - 2.2030	1.4715 - 1.4725
Brazil	23131.0 - 23132.5	15514.0 - 15514.5
Finland	8.2630 - 8.3430	5.5200 - 5.5600
Greece	314.000 - 322.300	210.500 - 214.750
Hong Kong	11.5215 - 11.5340	7.7320 - 7.7330
Iran	2285.00*	1490.00*
Korea(Sth)	1190.75 - 1209.95	790.00 - 796.20
Kuwait	0.45625 - 0.45675	0.30600 - 0.30650
Luxembourg	49.25 - 49.35	33.10 - 33.20
Malaysia	3.9070 - 3.9250	2.6250 - 2.6300
Mexico	4.6535 - 4.6565	3.1210 - 3.1230
N Zealand	2.8860 - 2.8895	1.9355 - 1.9380
Saudi Ar	5.5885 - 5.6000	3.7495 - 3.7505
Singapore	2.4490 - 2.4550	1.6415 - 1.6425
S.Af (Cm)	4.5730 - 4.5835	3.0700 - 3.0720
S.Af (Fn)	7.0000 - 7.0500	4.6950 - 4.7280
Taiwan	37.95 - 38.10	25.45 - 25.55
U.A.E.	5.4725 - 5.4850	3.6715 - 3.6735

*Floating rate. Iran Official rate £99.95 $66.80

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4870	1.4831	1.4758	1.4678	1.4559
D-mark	2.3925	2.3965	2.4051	2.4170	2.4313
French Fr.	8.0975	8.1410	8.2327	8.3200	8.4212
Swiss Fr.	2.2100	2.2084	2.2057	2.2042	2.1969
Yen	185.50	185.07	184.16	183.14	181.09

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	138.709	-3.26	4.50	51
Portuguese Escudo	182.194	176.468	-3.14	4.37	47
Belgian Franc	40.6304	40.1615	-1.15	2.27	38
Dutch Guilder	2.21958	2.19465	-1.12	2.24	57
D-Mark	1.96992	1.95024	-1.00	2.11	41
French Franc	6.60683	6.59969	-0.11	1.20	-15
Danish Krone	7.51410	7.52139	0.10	0.99	-41
Irish Punt	0.735334	0.743352	1.09	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4830 - 1.5200	1.4865 - 1.4875	0.40-0.38cpm	3.15	1.14-1.11pm	3.03
Canada	1.8850 - 1.8980	1.8870 - 1.8880	0.05-0.08cdis	-0.41	0.04-0.14dis	-0.19
Netherlands	2.6800 - 2.7050	2.6875 - 2.6975	¼-½cdis	-1.95	1¼-1½dis	-2.04
Belgium	49.10 - 49.50	49.25 - 49.35	6-10cdis	-1.95	21-28dis	-1.99
Denmark	9.2125 - 9.3125	9.2225 - 9.2325	3¼-4¾oredis	-5.20	9¾-12dis	-4.66
Ireland	0.9090 - 0.9165	0.9130 - 0.9140	2.35-4.02cdis	-41.84	2.85-5.85dis	-19.05
Germany	2.3850 - 2.4050	2.3900 - 2.3950	⅜-½pfdis	-2.19	1¼-1½dis	-2.19
Portugal	216.00 - 218.25	216.00 - 217.00	132-180cdis	-8.65	400-517dis	-8.47
Spain	169.25 - 172.30	169.75 - 170.05	98-115cdis	-7.52	316-343dis	-7.76
Italy	2217.00 - 2247.50	2226.25 - 2227.25	9-11liredis	-5.39	30-33dis	-5.66
Norway	10.1775 - 10.2850	10.1850 - 10.1950	2¾-3½oredis	-3.86	8¾-11¼dis	-3.93
France	8.0925 - 8.1425	8.0925 - 8.1025	4⅛-4¼cdis	-6.58	12½-13¼dis	-6.42
Sweden	10.8575 - 10.9450	10.8425 - 10.8525	2¼-4½oredis	-4.01	9¾-11¼dis	-3.89
Japan	186.00 - 188.25	185.00 - 186.00	½-¼ypm	2.83	1½-1¼pm	2.83
Austria	16.79 - 16.94	16.80 - 16.83	1¾-3¼grodis	-1.83	6¼-8¾dis	-1.86
Switzerland	2.1975 - 2.2175	2.2050 - 2.2150	¼-⅛cpm	1.02	½-¼pm	0.68
Ecu	1.2175 - 1.2325	1.2275 - 1.2285	0.31-0.36cdis	-3.27	1.08-1.16dis	-3.65

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.95-1.90pm. 12 Month 3.16-3.06pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4830 - 1.5200	1.4865 - 1.4875	0.40-0.38cpm	3.15	1.14-1.11pm	3.03
Ireland†	1.6250 - 1.6675	1.6280 - 1.6290	3.00-4.70cdis	-28.37	5.00-7.50dis	-15.35
Canada	1.2665 - 1.2715	1.2700 - 1.2710	0.31-0.35cdis	-3.12	1.01-1.09dis	-3.31
Netherlands	1.7805 - 1.8140	1.8105 - 1.8115	0.73-0.76cdis	-4.94	2.21-2.27dis	-4.95
Belgium	32.60 - 33.20	33.10 - 33.20	13.00-14.00cdis	-4.89	40.00-43.00dis	-5.01
Denmark	6.1100 - 6.2125	6.2025 - 6.2075	4.50-6.50oredis	-10.64	12.50-14.50dis	-8.70
Germany	1.5810 - 1.6130	1.6085 - 1.6095	0.68-0.70pfdis	-5.15	2.06-2.09dis	-5.16
Portugal	143.55 - 146.00	145.70 - 145.80	120-130cdis	-10.29	365-390dis	-10.36
Spain	112.90 - 114.50	114.30 - 114.40	93-103cdis	-10.28	296-311dis	-10.62
Italy	1472.50 - 1498.50	1497.25 - 1497.75	9.80-10.60liredis	-8.17	31.20-32.70dis	-8.53
Norway	6.7325 - 6.8600	6.8500 - 6.8550	3.30-4.00oredis	-6.39	11.00-12.00dis	-6.71
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 5¼-5 per cent; four years 5¾-5½ per cent; five years 6-5¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan 29	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.487	2.392	185.5	8.097	2.210	2.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.672	1	1.609	124.7	5.445	1.486	1.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.418	0.622	1	77.55	3.385	0.924	1.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	5.391	8.016	12.89	1000	43.65	11.91	14.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.235	1.836	2.954	229.1	10	2.729	3.32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.452	0.673	1.082	83.94	3.664	1	1.21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.371	0.552	0.889	68.91	3.008	0.821	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.449	0.668	1.074	83.30	3.636	0.992	1.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.530	0.788	1.268	98.30	4.291	1.171	1.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	2.028	3.016	4.852	376.3	16.42	4.483	5.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.589	0.875	1.408	109.2	4.766	1.301	1.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.814	1.211	1.948	151.1	6.594	1.800	2.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS · LIFFE EURO SWISS FRANC OPTIONS · LIFFE EURO FUTURES OPTIONS · LIFFE EUROMARK OPTIONS · LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS · LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT · US TREASURY BONDS 8% · 6% NOTIONAL GERMAN GOVT. BOND · 6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND · 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND · 12% NOTIONAL ITALIAN GOVT. BOND (BTP) · THREE MONTH STERLING · THREE MONTH EURODOLLAR · THREE MONTH EUROMARK · THREE MONTH ECU · THREE MONTH EURO SWISS FRANC · THREE MONTH EUROLIRA INT. RATE · FT-SE 100 INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% · U.S. TREASURY BILLS (IMM) · BRITISH POUND (IMM) · SWISS FRANC (IMM) · JAPANESE YEN (IMM) · DEUTSCHE MARK (IMM) · THREE-MONTH EURODOLLAR (IMM) · STANDARD & POORS 500 INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES · THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) · CAC-40 FUTURES (MATIF) Stock Index · ECU BOND (MATIF)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
112	1.03	-	-	-	0.32	0.57
113	0.41	1.97	2.35	0.69	-	1.19
114	0.13	1.36	1.30	-	1.18	1.25
115	0.04	0.86	1.27	-	-	-
116	-	0.50	-	-	-	-
Open int.	163,579	36,456	5,370	180,466	31,065	2,485

Estimated volume 26,577 † Total Open interest 439,423
† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4870	1.4831	1.4758	1.4678	1.4559

BANK RETURN

BANKING DEPARTMENT	Wednesday January 27, 1993	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	2,718,434,005	+ 514,186,219
Bankers Deposits	1,543,938,024	+ 90,967,382
Reserve and other Accounts	3,984,618,218	+ 119,574,978
	8,261,543,250	+ 724,728,579
ASSETS		
Government Securities	1,604,261,175	+ 185,690,000
Advance and other Accounts	4,138,884,511	+ 318,597,821
Premises Equipment & other Secs	2,511,314,338	+ 224,100,177
Notes	6,823,026	- 3,646,471
Coin	260,200	- 12,946
	8,261,543,250	+ 724,728,579
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,223,176,974	- 76,353,529
Notes in Banking Department	6,823,026	- 3,646,471
	16,230,000,000	- 80,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	7,186,359,468	- 455,895,923
Other Securities	9,032,625,432	+ 375,895,923
	16,230,000,000	- 80,000,000

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

MONTHLY AVERAGES OF STOCK INDICES

	January	December	November	October
FT-SE Actuaries Indices				
100 Index	2790.3	2778.0	2712.9	2587.1
Mid 250	2912.1	2736.3	2599.3	2456.6
350 Share	1371.7	1349.4	1310.4	1244.9
Industrial Group	1425.47	1401.49	1351.58	1292.31
500 Share	1496.94	1473.45	1425.57	1364.42
Financial Group	895.10	853.86	844.43	772.13
All-Share	1351.60	1324.07	1284.96	1221.45
Eurotrack 100	1082.36	1057.70	1047.08	1002.15
Eurotrack 200	1158.79	1138.57	1112.27	1074.85
FT Indices				
Government Securities	93.88	93.69	94.27	91.18
Fixed Interest	109.20	108.89	108.96	105.10
Ordinary	2161.9	2115.2	2023.1	1899.1
Gold Mines	63.1	56.6	57.5	72.7
SEAQ Bargains(4.45pm)	31,636	24,158	27,338	23,827

	Highest Close Jan	Lowest Close Jan
FT-SE 100	2861.5 (4th)	2737.6 (19th)
FT-SE Mid 250	2964.5 (27th)	2876.3 (13th)
FT-SE 350	1397.7 (4th)	1348.7 (19th)
FT-A All Share	1373.87 (27th)	1330.19 (19th)
Ordinary	2209.9 (4th)	2124.7 (19th)

MONEY MARKETS

UK overnight at 100%

THE OVERNIGHT rate for lending sterling cash rose to 100 per cent yesterday after the Bank of England posted a huge shortage at the end of a tight week in the money markets, *writes James Blitz*.

The Bank announced a shortage of £2.35bn at the start of the day, later revised up to £2.4bn. Cash is always tight at the end of the month, when dealers try to square their books. The market is also in the middle of a tax collection period, which creates big demands for funds among the clearing banks.

UK clearing bank base lending rate
6 per cent
from January 26,1993

However, the market found it difficult to remove the shortage for several reasons. One was the paucity of bills in the hands of clearing banks and discount houses. A dealer said that large quantities of bills had been used to mop up Thursday's £1.8bn shortage.

Another dealer said that the Bank had made an error in offering to buy a repurchase agreement which was due to expire on February 26, at the start of the day. For technical reasons, this was not in the interest of market participants.

A sign of the stickiness of the market was that late assistance was very high at £780m.

The sharp rise in the "overnight" would have brought substantial profits and losses, especially on a Friday when loans must be funded for three days.

For example, a trader who had bought a 1-month cash asset worth £1m at 6½ per cent would reap a profit of around £5,000 in 30 days time. But this weekend, he may have incurred interest payments of more than £8,000 servicing the loan by borrowing overnight cash.

Such wild fluctuations in sterling rates have raised concerns about the Bank of England's money market operations in the past.

In Europe, cash rates in the French franc market rose to new highs on rumours that the Bank of France would raise its intervention rate to defend its currency. The intense pressure on the Irish punt, which is seen as a strong candidate for devaluation, has raised fears that the franc could come under speculative pressure.

One-month French francs rose to 13¼ per cent from around 13 per cent the previous day. The March franc futures contract fell another 43 basis points to close at 88.40, as dealers assumed that French rates will remain high until the parliamentary elections.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.29)	3 months US dollars		6 months US Dollars	
	bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime — Treasury Bills and Bonds

Prime rate	[illegible]	One month	2.91
Broker loan rate	[illegible]	Two month	2.97
Fed.funds	[illegible]	Three month	2.97
Fed.funds at intervention	-	Six month	3.15
		One year	3.37
		Two year	4.20
		Three year	4.63
		Five year	5.61
		7-year	6.03
		10-year	6.41
		30-year	7.23

Jan.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.55-8.65	8.55-8.65	8.45-8.60	8.40-8.55	7.95-8.10	9.50
Paris	11⅞-12⅛	12¾-13¼	-	12⅜-12⅝	-	9.10
Zurich	5¼-5½	5⅞-5⅞	-	5⅜-5⅞	-	-
Amsterdam	8.45-8.50	8.35-8.45	-	8.15-8.25	-	-
Tokyo	3⅞-3⅞	3⅞-3⅞	-	-	-	-
Milan	12⅛-12⅜	12⅛-12⅜	-	11⅞-12⅛	-	-
Brussels	8⅞-8⅞	8⅞-9⅛	-	8⅞-8⅞	-	-
Dublin	90-100	40-45	24-33	20-25	17-20	-

LONDON MONEY RATES

Jan 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	100	6⅞	6⅝	6⅜	6⅛	6⅛
Interbank Bid	6	6⅜	6⅜	6¼	6	5⅞
Sterling CDs	–	–	6⅞	6⅛	6	5¾
Local Authority Deps.	6⅞	6½	6⅜	6	5⅞	5⅞
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	6⅞	6⅞	–	–	–	–
Company Deposits	–	–	–	–	–	–
Finance House Deposits	–	–	6⅜	6¼	6	5⅞
Treasury Bills (Buy)	–	–	5¾	5⅞	5⅞	–
Bank Bills (Buy)	–	–	5⅞	5⅞	5⅝	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.05	3.12	3.23	3.50
SDR Linked Dep. Offer	–	–	5½	5⅞	5¼	5⅛
SDR Linked Dep. Bid	–	–	5⅜	5⅞	5⅛	5
ECU Linked Dep. Offer	–	–	9⅝	9⅝	9⅞	8⅞
ECU Linked Dep. Bid	–	–	9½	9½	9⅞	8⅝

Treasury Bills (sell): one-month 5⅝ per cent; three months 5⅞ per cent; six months 5⅛ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills; Average tender rate of discount 6.1067. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1993. Agreed rates for period February 24, 1993 to March 23, 1993, Scheme I: 8.32 p.c., Schemes II & III: 8.20 p.c. Reference rate for period January 1, 1993 to January 29, 1993, Scheme IV&V: 7.0 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from February 1, 1993: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 3½ per cent; one-three months 6 per cent, three-six months 5½ per cent; six-nine months 5 per cent; nine-twelve months 5 per cent; Under £100,000 3½ per cent from Nov.16, 1992. Deposits withdrawn for cash 1¾ per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Northern Bank Ltd	7
●Henry Ansbacher	6	Exeter Bank Limited	8	Nykredit Mortgage Bnk	6.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	6
Bank of Baroda	6	●Robert Fleming & Co	6	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	6	Heritable & Gen Inv Bk	7	●United Bk of Kuwait	6
Brit Bk of Mid East	6	●Hill Samuel	6	Unity Trust Bank Plc	6
●Brown Shipley	6	C. Hoare & Co	6	Western Trust	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
Citibank NA	6	Julian Hodge Bank	6	Yorkshire Bank	6
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 4572

Treasury 13¾% Stk 2000/03 – £131⅞ 131⅜
Exchequer 10½% Stk 2005 – £115¼
Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) – £126⅜ .55 (27Ja93)

Corporation and County Stocks

No. of bargains included 2

Birmingham Corp 2½% Stk 1926(or after) – £24½ (25Ja93)
3½% Stk 1946(or after) – £33 (27Ja93)
Birmingham District Council 11½% Red Stk 2012 – £116¼ (26Ja93)
Croydon Corp 3½% Stk – £33 (25Ja93)
Leeds(City of) 13¾% Red Stk 2006 – £131
Manchester Corp 4% Cons Irrd Stk – £38 (27Ja93)
Newcastle-Upon-Tyne(City of) 11¾% Red Stk 2017 – £109¾ (25Ja93)
Swansea Corp Stk(3½%) – £33 (26Ja93)

UK Public Boards

No. of bargains included 2

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 – £95 (22Ja93)
6¾% Deb Stk 92/94 – £99¾ (25Ja93)
10¾% Deb Stk 92/95 – £100¾ (27Ja93)
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 – £63 (25Ja93)

Foreign Stocks, Bonds, etc–(coupons payable in London)

No. of bargains included 189

A.M.P.(U.K.) PLC 13% Bds 2015 (Br £5000&100000) – £124.075
11½% Bds 2001 (Br £1000,10000&100000) – £114⅝
Abbey National Sterling Capital PLC 10⅝% Subord Gtd Bds 2002 (Br £ Var) – £108⅞ (26Ja93)
11½% Subord Gtd Bds 2017 – £110¾
Asda Finance Ltd 10¾% Cnv Cap Bds2005(Br £5000&100000) – £110 ½ 1

Nihon Doro Kodan 9½% Gtd Bds 1995 (BrEC1000&10000) – EC101.98 102⅛
Nippon Telegraph and Telephone Corp 7⅞% Nts 1998 – $105.3 105.7 (26Ja93)
8⅝% Nts 1995 – $105¾ (27Ja93)
6½% Nts 1997 (Br $C1000&10000) – $C101.59 (26Ja93)
9⅝% Nts 1995 – $108.93 109.03 (27Ja93)
Northumbrian Water Group PLC 9¼% Bds 2002 (Br £ Var) – £102⅜
Norway (Kingdom of) 7.25% Nts 1999(Br $C Vars) – $C96⅝ (22Ja93)
10½% Nts 1994 (BrE1000,10000&100000) – £103⅝ (22Ja93)
PCO Finance Ltd 8% Cnv Bds 2005 (Br£5000) – £73 (27Ja93)

Miscellaneous Warrants

No. of bargains included nil

Australia & New Zealand Banking Gp Ld Wts Rtg to Coles Myer Ord 28/8/94 – $A1¼♦

USM Appendix

No. of bargains included 829

Apollo Metals PLC 8p(Net) Cum Cnv Red Prf 10p – 155 (25Ja93)
Beckenham Group PLC 9% Red Cum Non-Vtg Prf £1 – 60 (26Ja93)
CMW Group PLC Ord 5p – 25 5½
CRP Leisure PLC Ord 5p – 10‡
Chemex International PLC Ord 1p – 3¾ 4¾ ½ ¾‡
Cooper Clarke Group PLC Ord 50p – 31 (25Ja93)
Dakota Group PLC Ord Ir£0.25 – I£0.14 (22Ja93)

Paribas French Investment Trust PLC Sbrs "A" Warrants to sub for Ord – 19
Sbrs "B" Warrants to sub for Ord – 12 (27Ja93)
River & Mercantile Trust PLC 5% Cum Prf Stk – £70 (25Ja93)
Schroder Korea Fund PLC Ord $0.01 (Reg) – $9¾
Scottish Eastern Inv Trust PLC 4% Perp Deb Stk – £35
9⅝% Deb Stk 2020 – £102¾ ½ (22Ja93)
Scottish National Trust PLC 6% Cum Prf £1 – 68 (25Ja93)
Second Alliance Trust PLC 4½% Cum Prf Stk – £46⅜ (26Ja93)
Shires High-Yielding Smlr Co's Tst PLC Ord 50p – 116 (25Ja93)
Wts to Sub for Ord – 21 (25Ja93)
Shires Investment PLC Warrants to sub for Ord – 58 (27Ja93)
TR City of London Trust PLC 6% Non-Cum 2nd Prf Stk £1 – 61 (25Ja93)
Throgmorton 1000 Smallest Co's Tst PLC *Wts to Sub for Ord – 18*
Updown Investment Co PLC Ord 25p – 460
Witan Investment Co PLC 8¾% Deb Stk 2016 – £94 (26Ja93)

Thwaites(Daniel)& Co PLC Ord 25p – £1.55 1¾ (22Ja93)
Titaghur PLC Ord 5p – £0.1375 0.14
T V-am PLC Ord 5p – 21 (27Ja93)
UAPT-Infolink PLC "A" Ord 25p – £0.28 0.31 (27Ja93)
Vista Entertainments PLC Ord 5p – 0¾ (27Ja93)
Weetabix Ld "A" Non.V Ord 25p – £11.5 (27Ja93)
Wynnstay Properties PLC 25p – £0.505 (26Ja93)
Yates Bros Wine Lodges PLC Ord 25p – £1.2 (27Ja93)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. *Quotation has not been granted in London and dealings are not recorded in the Official List.*

Aust. Foundation Inv 80.0 (27/1)
Bligh Oil & Minerals A$0.264 (22/1)
Boise Cascade Corp $24⅝♦
Brush Wellman $16½
Cape Range Oil 16♦, A$0.373 (26/1)
City Developments S$3.87, 3.891285 (22/1)
Community Psychiatric Centers $10⅝♦
Comrest Exp Class 'A' 600 (26/1)
Comrest Exp Class 'B' 600 (26/1)
Cudgen 58
Darty FFr520♦
Far East Hotels & Entertainment FFr0.48 (27/1)
Harland (John H) Co $25⅝♦
Hunter Resources A$0.14♦
Keystone International $24⅛♦, ⅛♦, ⅜♦
Leighton Hldgs A$1.27 (25/1)
Leveraged Capital Holdings $559½ (26/1)
McCarthy Group R3.82 (25/1)
National Electronics Holdings 3.5 (25/1)
North Flinders Mines A$4.25 (25/1)
Oil Search 26
Palabora Mining £10.65
Portman Mining 55.0♦ (22/1)
Samantha Holdings Berhad A$1.27 (22/1)
Sapphire Mines A$0.069 (26/1)
Singapore Land S$4.086 (26/1)
Storer Communications SKr261.48 (27/1)

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FT-SE ACTUARIES INDICES

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Rights fears encourage profit-taking

By Terry Byland, UK Stock Market Editor

THE STEADY flow of rights issues took the heart out of the UK stock market as the two week trading account came to its close yesterday. The equity funding call for £163m from Burton, the store group, was recognised as only the first of a queue of rights issuers expected to march through the market next week.

With many gilt-edged market participants still licking the wounds inflicted by the turmoil surrounding this week's government funding and the unexpected cut in domestic interest rates, cash has become somewhat scarce in the stock market, albeit temporarily. Government bonds lost early gains yesterday, closing a shade off on the day as renewed pressures appeared in the ERM currencies and the dollar raced higher after an expectedly strong gain in December durable goods orders.

Initial improvement in share prices was swiftly reversed when stock index futures were sold off heavily. The Footsie fell steadily on increased volume, and lost the 2,800 mark briefly at mid-session. However, a late rally by dollar stocks, took the FT-SE Index to a final reading of 2,807.2, for a loss on the day of 9.7. The FT-SE Mid 250 Index followed suit, losing 8.7 to 2,954.8. Non-Footsie volume represented 62 per cent of Seaq turnover of 773.1m shares; Thursday's retail business was worth £1.45bn.

The Footsie has gained 26 points this week, responding to the reduction in UK base rates to 6 per cent. Over the account, the Footsie has added 42.1 points or 1.5 per cent.

Electricity generator stocks weakened on parliamentary proposals to subsidise Britain's coal industry. But oil shares improved and defence stocks responded strongly to the announcement of orders for 48 Tornado aircraft by Saudi Arabia.

Profit-takers focused on the interest-related stocks which have outperformed this week. Breweries, food industry stocks, banks, stores and hotels were all out of favour, with rights issue worries adding to the pressure on food retailers.

Among the mostly firm blue chip internationals, BAT Industries remained a weak feature beneath concerns over both the tobacco and insurance sectors of the group.

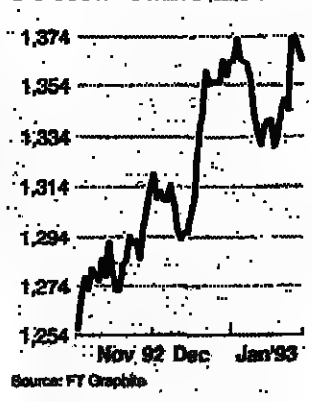
Equity strategists have generally welcomed this week's base rate cut, and the possible move to 5 per cent rates at Budget time. But Mr Ian Harnett at Strauss Turnbull remains convinced that base rates will be up to 8.5 per cent by the year-end, by when Warburg Securities also expects rates to be rising.

Account Dealing Dates

*First Dealings:	Jan 4	Jan 18	Feb 1
Option Declarations:	Jan 14	Jan 28	Feb 11
Last Dealings:	Jan 15	Jan 29	Feb 12
Account Day:	Jan 25	Feb 8	Feb 22

*New time dealings may take place from 8.30am two business days earlier.

FT-A All-Share Index



Source: FT Graphite

Power sector setback

SHARES in the regional electricity stocks (recs) and the power generators (gencos) reeled under the impact of heavy selling pressure caused by recommendations put forward by the House of Commons Select Committee which has investigated the UK energy market.

Utilities specialists said the market took fright at the committee's call for tighter regulation of the electricity distribution market, but pointed out that it would be up to Mr Michael Heseltine, President of the Board of Trade, to decide on energy policy and that his decision would not be known until the end of next month when the Energy White Paper will be published.

"It has to be stressed that these are only recommendations, not policy decisions," said an electricity specialist. What troubled the market, the specialist said, was a reference to excessive rates of return in the electricity distribution industry. The generators were hit by the inferenceof increased price regulation on the generation of electricity.

Although closing well above the day's lowest levels both sectors ended sharply lower. Midland was the worst performer in the "recs", closing 18 off at 440p, while London dropped 17 to 422p. Southern, the sector's only Footsie 100 representative, lost 17½ to 17¼p.

National Power retreated 10½ to 293½p, on 8.5m traded, and PowerGen 14 to 296p, after 10m shares changed hands.

Gains in oils

Oil shares were among the market's best performers, responding to news that two US senators had proposed a bill setting a $25 a barrel floor on domestically produced crude oil and proposing a tax on oil imports. The news drove oil prices sharply higher, with Brent crude settling around the $18.50 a barrel level.

Analysts pointed out that such a move would transform BP's fortunes. Shell was also seen as a big beneficiary of any such move.

BP closed 8 up at 245¼p and Shell 7 up at 558p. But analysts said import tariff moves would attract massive opposition from non-oil producing states in the US and could also attract a windfall profits tax.

Among smaller oil stocks, rumours that a predator, possibly Clyde Petroleum, could be stalking Premier Consolidated saw the shares move up 2 more to 27¼p following turnover of 16m shares, the heaviest single day's business for many months.

Defence stocks busy

Overnight confirmation that Saudi Arabia will, after all, buy 48 Tornado aircraft as part of the Al Yamamah-2 contract prompted a sharp rise in British Aerospace shares and well as many other engineering/electronics stocks seen as big beneficiaries of the deal.

British Aerospace shares, a strong market in recent sessionsas the market began to anticipate such a deal, raced up to close a net 18 higher at 253p, their best level since July 1992. Turnover was a hefty 18m shares, the highest single day's business since last September when the group announced a restructuring.

Specialists said the euphoria generated by confirmation of the contract may well carry BAe shares further ahead but emphasised the weakness of the group's balance sheet and the danger to the dividend. "It's long-term good news but will not make much difference in the short term," said one analyst.

Other stocks to benefit from the news included GEC, which will provide the avionics for the aircraft, and moved up 6 to a 1992/3 high of 290p. FR Group moved up 12 to 263p, Smiths Industries 11 to 365p and Meggitt 4 to 98p. Rolls-Royce edged up 1¼ to 126½p and Lucas jumped 6 to 149p.

Burton rights

Market rumours were confirmed for a second time this week as stores group Burton followed in Asda's footsteps in making a big cash call. Burton's 1-for-4 rights issue will raise £163m and, like Asda, will be largely invested in store refurbishment. Although the timing took the market by surprise, analysts were supportive with even bears of the stock advising clients to take up the rights on the back of the group's recovery potential. The shares fell 2½ to 72½p in turnover of 23m.

Other money-raising exercise stories abounded. Allied Lyons was once again target for gossip that it would launch a 1-for-5 cash call at 525p early next week. Allied again strongly denied the story.

Talk that Argyll Group is considering a convertible bond issue was heard, with the food retailer said to be looking to raise in excess of £100m. Rights issue hints were later heard around Unigate, off 7 at 314p, and United Biscuits, a penny adrift at 366p.

An old and similar rumour hurt Rank Organisation, with weak figures from Rank Xerox and a large seller in the market adding to the negative sentiment. Despite later reports that the sale of some of its London hotels was imminent, the shares fell 29 to 688p.

A profit forecast downgrade by one house in Tesco was said to have helped the shares tumble 8 to 259p.

A placing of 2.5m shares at 128p in MFI Furniture, said to be done by Smith New Court, pinned the shares back 2 to 126p.

News and information company Reuters rose 20 to 1,394p. It was buoyed by US buying, dollar strength and this week's announcement of a service to rival the stock exchange's screen-based system.

Pharmaceuticals giant Glaxo rose 8 to 694p as a result of bear closing, buying to meet the selling commitments made during the account.

With US investors increasingly realising that Hanson shares provided a better yield than cash as well as exposure to cyclical recovery, the stock improved 4½ to 250½p.

British Steel received support from one US house which upgraded its rating to a strong buy. Steel shares were up in the US and closed 2 higher in London at 73½p.

Medeva picked up 4 at 219p as Nikko Europe moved to a hold from a buy.

Selected Irish companies attracted interest on the belief that the country would leave the ERM at the weekend. Paper and cardboard group Jefferson Smurfit rose 10 to 275p and building materials group CRH was bought up to 226p before closing unchanged at 224p. the ERM.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other market statistics, Page 9

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (154).

BRITISH FUNDS (9) Fd. 3½pc '99-04, Treas. 8pc '03, AMERICANS (16) Bell Atlantic, Bethlehem Steel, Cont'l Bank, FPL, Gen. Host., Houston, Ingersoll-Rand, Sun Inc., Time Warner, Varity, BANKS (2) Allied Irish, Mitsubishi, BREWERS (2) Holt, Wetherspoon, BLDG MATLS (2) Grafton, Sheffield Insulns., BUSINESS SERVS (6) Chubb, Hays, Johnson Cleaners, Penna, Salvesen, Wills, CHEMS (2) Engelhard, Evode 7p PL, CONGLOMERATES (1) Hanson, CONTG & CONSTRCN (3) Barratt Devs., Bellway, ELECTRICALS (2) BICC Cap. 10¼pc Cv. '20, Mitsubishi, ELECTRONICS (13) Blick, Domino, Eurotherm, GEC, Hoskyns, Learmonth & Burchett, MMT, Macro 4, MayS, Radius, Sage, Tadpole Tech., Tunstall, ENG AERO (6) Brit. Aerospace 7¾pc Pf., FR, Hunting, Do 8¼pc PL, Westland, ENG GEN (11) Adwest, Concentric, Eadie, FKI, Fairey, Powerscreen, Rotork, Spirax-Sarco, VSEL, Vosper, Weir, FOOD MANUF (2) Finlay, Treatt, FOOD RETAILING (1) Ashley 8¼pc PL, HEALTH & HSEHOLD (2) Elan, Seton, HOTELS & LEIS (3) Compass, Pelican, Prism, INSCE COMPOSITE (5) Allianz, Domestic & Gen., Hibernian, Travelers, USF & G, INSCE LIFE (3) Liberty Life, Lloyds Abbey, Transatlantic, INV TRUSTS (28) MEDIA (10) Adscene, Central ITV, Euromoney, GWR, Gold Greenlees Trott, Harrington Kilbride, Johnston Press, LWT 8.9052p PL, Midlands Radio, Watmoughs, MTL & MTL FORMING (1) Billam, MISC (3) Black (P), Chemring, Faber Prest, Gt. Southern, Photo-Me, MOTORS (4) Avon Rubber, Burndene, First Tech., T & N, OIL & GAS (4) Chevron, Mobil, NZ Oil, Norsk Hydro, Pittencrieff, OTHER FINCL (6) Bencaire Cie, Govett, Henderson Admn., Jupiter Tyndall, M & G, Perpetual, OTHER INDLS (4) Hewitt, Vinten, Watts Blake, Wilshaw, PACKG, PAPER & PRNTG (7) Benrose, Capital Inds., Cradley, Hunters Armley, Microgen, MAC, PrinTech, PROP (2) Helical Bar, Lon. Merchant 7¼pc Cv. '00-05, STORES (1) Brown (N), TELE NETWORKS (1) Nthn. Telecom, TEXTS (3) Leeds, Parkland, TRANSPORT (4) CSX, GATX, Powell Duffryn, Sea Containers, MINES (1) Minorco.

NEW LOWS (13).

BREWERS (2) Guinness, Wiltshire, BLDG MATLS (1) Starmin, ELECTRONICS (3) Cranbrook, Prestwick, ENG GEN (1) PCT, INV TRUSTS (2) City & Commercial, Greyfriars, MEDIA (1) Goodhead, PROP (2) Palmerston, Warnford, TEXTS (1) Cupid, MINES (1) Willoughbys' Prfd.

EQUITY FUTURES AND OPTIONS TRADING

A MODERATE day's trading in the derivatives market was dominated by the closing of the trading account in the underlying equity markets and mounting concern over possible imminent rights issues, writes Christopher Price.

In futures, the March FT-SE contract opened positively at 2,833, helped by good overnight industrial news. It reached its high-point of 2,838 around 10am.

However, with growing concerns over the number of companies said to be considering a rights issue, and traders anxious not to be long ahead of the new account on Monday, March drifted. It hit its low of 2,812 at around 1pm when it also dipped below fair value.

Then strong US durable goods figures prompted a rally and March closed at 2,822, a fall of 14 on the previous session, and around 10 points ahead of its fair value level of around 7.

In traded options, 29,662 contracts were traded, with the FT-SE 100 making up 4,796 and the Euro-FTSE 4,292. BAe was the top stock option at 1,864.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

FINANCIAL TIMES EQUITY INDICES

	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Year ago	High	Low
Ordinary share	2177.3	2184.8	2187.0	2189.9	2145.0	1998.8	2209.9	1670.0
Ord. div. yield	4.35	4.33	4.32	4.31	4.39	4.58	5.34	4.23
Earning yld % full	5.97	5.95	[illegible]	5.93	6.05	6.87	-	-
P/E ratio net	21.35	21.43	21.51	21.52	21.10	18.31	21.93	16.79
P/E ratio nil	19.72	19.80	19.87	19.88	19.49	17.28	-	-
Gold Mines	74.7	69.3	67.5	64.3	53.2	144.3	180.8	60.0

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2188.9	2180.9	2183.4	2181.5	2175.3	2170.2	2178.4	2179.8	2176.9	2188.9	2169.0

Volume		Jan 28	Jan 27	Jan 26	Jan 25	Year ago
SEAQ Bargains	36,852	35,017	38,362	39,474	31,171	32,073
Equity Turnover(£m)†	-	1448.2	1482.3	1719.8	984.0	1369.7
Equity Bargains†	-	41,409	43,043	43,704	34,517	32,583
Shares traded (mil)†	-	793.8	694.6	716.8	480.4	562.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday January 29 1993

Gold Mines Index	+	16.90	Chemicals	+	2.11
Engineering-Aerospace	+	16.52	Investment Trusts	+	1.93
Metals & Metal Forming	+	11.26	Media	+	1.88
FT-SE SmallCap ex Inv Tst	+	9.22	Food Manufacturing	+	1.63
Merchant Banks	+	9.01	Transport	+	0.97
FT-SE SmallCap	+	8.32	Textiles	+	0.77
Banks	+	6.34	Other Industrials	+	0.51
Property	+	6.19	Other Groups	+	0.41
Electricals	+	5.96	Hotels & Leisure	+	0.16
Conglomerates	+	5.78	FT-A All-Share	+	0.04
Motors	+	5.61	FT-SE-A 350	-	0.43
Insurance Brokers	+	5.52	Telephone Networks	-	0.63
Insurance (Life)	+	5.13	Industrial Group	-	0.80
Financial Group	+	5.12	"500" Share Index	-	0.84
Business Services	+	4.67	Oil & Gas	-	1.10
Contracting, Construction	+	4.39	FT-SE 100	-	1.38
Building Materials	+	4.37	Insurance (Composite)	-	1.69
Electronics	+	4.15	Water	-	2.52
Engineering-General	+	4.06	Electricity	-	2.90
Capital Goods	+	3.93	Consumer Group	-	3.30
Food Retailing	+	3.60	Stores	-	6.16
Packaging, Paper & Printing	+	3.30	Health & Household	-	7.18
FT-SE Mid 250	+	3.21	Brewers & Distillers	-	8.15

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	109.0670	+0.136	8.60	8.78	8.81
BELGIUM		8.750	06/02	107.7000	+0.100	7.57	7.60	7.84
CANADA *		8.500	04/02	102.7000	-0.300	8.07	8.09	7.95
DENMARK		8.000	05/03	96.4200	+0.270	8.54	8.33	8.59
FRANCE	BTAN	8.500	05/97	101.1943	-0.068	8.13	7.78	7.85
	OAT	8.500	11/02	103.5100	+0.070	7.92	7.80	8.08
GERMANY		8.000	07/02	105.8500	+0.040	7.13	7.14	7.24
ITALY		12.000	05/02	95.6800	+0.360	13.21†	13.19	13.53
JAPAN	No 119	4.800	06/99	102.6595	-0.235	4.27	4.24	4.51
	No 145	5.500	03/02	106.2670	-1.325	4.53	4.30	4.53
NETHERLANDS		8.250	08/02	107.0000	-0.050	7.11	7.13	7.36
SPAIN		10.300	06/02	91.4700	+0.270	11.82	11.89	12.49
UK GILTS		10.000	11/96	110-16	-	6.78	6.95	7.16
		9.750	08/02	111-00	-	8.09	8.30	8.23
		9.000	10/08	103-06	+2/32	8.61	8.75	8.54
US TREASURY *		6.375	08/02	99-22	-	6.42	6.58	6.66
		7.625	11/22	104-26	-5/32	7.23	7.31	7.36
ECU (French Govt)		8.500	03/02	101.8700	+0.210	8.20	8.18	8.64

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	32	29	16	187	141	62
Other Fixed Interest	2	9	4	19	18	38
Commercial, Industrial	303	309	810	1,929	1,241	3,952
Financial & Property	170	94	536	1,213	475	2,312
Oil & Gas	26	8	51	107	57	261
Plantations	0	0	9	3	0	42
Mines	48	8	85	206	90	409
Others	59	24	24	181	153	198
Totals	640	481	1,535	3,845	2,175	7,274

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2807.2 −9.7	2954.8 −8.7	1364.33 −4.16

	Jan 29	Day's change	Jan 28	Jan 27	Jan 26	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	xd adj ytd	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2807.2	-0.3	2816.9	2832.5	2836.7	2571.2	6.33	4.36	20.31	3.43	2861.5 4/1	2281.0 25/8	2861.5 4/1/93	986.9 23/7/84
FT-SE Mid 250	2954.8	-0.3	2963.6	2964.5	2951.8	2476.4	7.04	4.36	17.96	5.18	2964.5 27/1	2157.8 16/9	2964.5 27/1/93	[illegible] 21/1/86
FT-SE-A 350	1382.5	-0.3	1387.1	1393.3	1393.3	1243.1	6.46	4.36	19.76	[illegible]	1397.7 4/1	1103.1 25/8	1397.7 4/1/93	664.5 14/1/86
FT-SE SmallCap	1477.27	+0.3	1472.27	1468.26	1458.58	-	5.60	4.33	24.60	1.96	1477.27 29/1	1363.79 31/12	1477.27 29/1/93	1363.79 31/12/92
FT-SE SmallCap ex Inv Trusts	1489.51	+0.4	1483.97	1478.86	1470.30	-	6.21	4.58	23.06	1.77	1489.51 29/1	1363.79 31/12	1489.51 29/1/93	1363.79 31/12/92
FT-A ALL-SHARE	1364.33	-0.3	1368.48	1373.87	1373.49	1227.84	6.43	4.36	20.01	1.82	1373.87 27/1	1086.13 25/8	1373.87 27/1/93	61.92 13/12/74
1 CAPITAL GOODS(211)	910.24	+0.2	908.16	908.09	901.20	788.80	6.22	4.73	21.08	1.27	929.04 20/5	864.23 9/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials(27)	927.90	-0.6	933.18	941.51	931.52	960.29	5.50	5.82	25.87	0.77	1121.52 11/5	817.85 9/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction(29)	771.72	+0.4	768.37	757.23	742.68	881.15	3.30	5.30	80.00†	0.20	1069.64 11/5	465.72 9/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals(14)	2712.28	+0.7	2692.55	2698.85	2670.89	2467.98	5.96	5.35	22.04	1.02	2758.50 22/5	1874.89 20/10	3040.80 8/9/89	84.71 25/6/62
5 Electronics(35)	[illegible]	+1.1	2425.16	2420.77	2406.99	1800.19	6.45	3.48	19.62	13.48	2451.89 29/1	1655.93 13/1	2451.89 29/1/93	[illegible]
6 Engineering-Aerospace(7)	342.60	+3.6	331.16	319.94	[illegible]	[illegible]	10.33	6.85	12.33	0.00	406.10 20/5	243.47 24/11	502.42 13/6/90	243.47 24/11/92
7 Engineering-General(52)	533.70	+0.6	530.32	[illegible]	[illegible]	[illegible]	7.59	4.40	[illegible]	0.96	567.62 20/5	409.31 9/9	567.62 20/5/92	339.57 23/1/91
8 Metals & Metal Forming(11)	359.34	+0.9	356.19	351.54	346.60	332.56	[illegible]	3.86	29.96	0.14	379.31 18/6	255.51 8/9	596.67 9/10/87	49.65 6/1/75
9 Motors(18)	397.89	+0.7	395.18	[illegible]	389.07	302.13	4.96	5.69	29.58	0.00	403.06 21/5	274.42 1/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrials(18)	2010.09	-0.7	2025.13	2021.52	2019.97	1600.59	6.19	4.23	[illegible]	0.39	2025.13 28/1	1480.17 9/9	2025.13 28/1/93	277.55 15/1/81
21 CONSUMER GROUP(238)	1703.23	-0.7	1714.65	1723.34	1728.44	1670.88	[illegible]	3.46	18.13	2.65	1773.10 4/1	1448.17 25/8	1773.10 4/1/93	81.41 13/12/74
22 Brewers and Distillers(28)	1928.87	-1.6	1961.20	1988.85	2000.82	2099.97	8.74	3.83	13.96	10.14	2278.85 11/6	1812.14 5/10	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing(22)	1351.27	-0.8	1361.52	[illegible]	1369.80	1262.10	7.79	3.86	16.05	[illegible]	1369.83 27/1	1064.95 10/9	1369.83 27/1/93	59.67 11/12/74
26 Food Retailing(18)	3378.17	-1.5	3427.94	3403.15	3404.56	2569.60	7.66	3.01	17.01	[illegible]	3427.94 28/1	2293.80 10/1	3427.94 28/1/93	54.25 11/12/74
27 Health & Household(27)	[illegible]	+0.6	3941.41	3959.80	3975.29	4554.36	5.61	2.86	20.76	0.54	4654.94 14/1	3648.63 26/8	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure(20)	1295.45	-0.8	1306.35	1308.31	1316.02	1280.06	6.48	5.82	20.30	6.25	1450.36 13/5	898.80 18/9	1845.77 8/9/89	54.83 9/1/75
30 Media(33)	1867.47	+0.2	[illegible]	1858.59	1848.37	1498.30	5.44	2.78	22.90	0.94	1867.47 29/1	1378.55 25/8	1867.47 29/1/93	1166.91 16/1/91
31 Packaging and Paper(23)	810.57	-0.4	814.01	810.99	802.40	755.96	6.60	4.00	18.70	0.21	[illegible]	633.17 16/9	875.53 13/5/92	43.46 6/1/75
34 Stores(39)	1094.98	-1.4	1110.69	1125.76	1137.24	1025.03	6.56	3.31	20.24	0.98	1170.17 5/1	907.08 25/8	1170.17 5/1/93	52.63 6/1/75
35 Textiles(20)	757.58	—	757.20	758.95	755.41	614.08	6.50	4.19	19.46	0.00	[illegible]	551.94 25/8	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS(143)	1451.29	-0.7	1461.66	1468.43	1461.53	1221.19	8.44	4.78	14.60	3.04	1468.43 27/1	[illegible]	1468.43 27/1/93	[illegible]
41 Business Services(27)	1601.39	-0.1	1602.66	1605.78	1598.26	1363.82	5.60	3.22	22.02	0.14	1605.78 27/1	1160.34 1/9	1605.78 27/1/93	892.28 1/2/91
42 Chemicals(24)	1462.66	-0.5	1469.36	1474.54	1468.46	1488.38	6.27	5.00	[illegible]	0.30	1629.99 8/5	[illegible]	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates(11)	1473.34	+0.6	[illegible]	1462.04	1466.04	1307.84	7.23	7.24	15.80	1.63	1509.94 11/5	1087.92 2/9	1819.46 11/8/89	975.19 10/11/87
44 Transport(16)	2804.35	-1.0	2833.12	2838.54	[illegible]	2444.70	8.03	4.24	14.97	1.04	2849.88 26/1	2133.26 26/8	2849.88 26/1/93	90.80 29/6/62
45 Electricity(16)	1535.50	-2.7	1577.85	1584.36	1564.61	1212.88	14.12	4.05	9.11	16.54	1589.96 15/1	1044.63 7/4	1589.96 15/1/93	994.98 7/1/91
46 Telephone Networks(4)	1678.67	-0.5	1686.71	1687.21	1676.24	1392.37	7.94	4.07	16.38	1.56	1699.21 1/12	1274.20 3/4	1699.21 1/12/92	517.92 30/11/84
47 Water(13)	3193.35	-0.3	3203.14	3212.20	3198.78	2391.42	14.19	5.55	7.83	11.63	3357.97 11/11	2140.95 8/4	3357.97 11/11/92	1820.20 1/5/90
48 Miscellaneous(32)	2450.43	-1.0	2474.38	2508.16	2512.25	1845.40	5.90	4.19	21.00	0.86	2533.67 22/12	1770.94 3/1	2533.67 22/12/92	60.39 6/7/75
49 INDUSTRIAL GROUP(566)	1429.33	-0.5	1436.79	1441.28	1440.88	1305.94	7.28	4.14	17.15	2.45	1450.90 4/1	1168.49 1/9	1450.90 4/1/93	59.01 13/12/74
51 Oil & Gas(18)	2226.51	+1.6	2191.88	2219.40	2214.07	2163.83	6.00	5.82	21.92	0.00	2253.15 31/12	1756.72 7/8	2528.70 3/8/90	87.23 29/5/62
59 "500" SHARE INDEX(604)	1504.67	-0.3	1509.35	1515.48	1514.17	1383.21	7.15	[illegible]	17.54	2.31	1526.53 4/1	1228.86 28/8	1526.53 4/1/93	63.49 13/12/74
61 FINANCIAL GROUP(89)	924.05	-0.3	927.25	930.96	934.72	732.16	2.96	[illegible]	72.54	0.08	[illegible]	631.13 25/8	934.72 28/1/93	55.88 13/12/74
62 Banks(9)	1274.77	-0.7	1283.27	[illegible]	1301.54	882.37	[illegible]	4.53	31.96	0.00	1301.54 26/1	790.95 3/4	1301.54 26/1/93	[illegible]
65 Insurance (Life)(6)	1861.38	+0.8	1846.46	[illegible]	1844.33	1419.10	2.72	4.88	64.85	0.00	1861.38 29/1	[illegible]	[illegible]	44.88 2/1/75
66 Insurance (Composite)(7)	620.58	-1.8	632.10	637.49	649.67	517.27	‡	4.86	‡	0.00	655.66 22/12	418.66 27/7	[illegible]	43.96 13/12/74
67 Insurance Brokers(10)	821.26	-0.4	824.95	810.79	804.14	1010.12	7.30	6.50	18.20	0.00	1031.35 27/1	527.43 25/8	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks(6)	549.71	+0.3	548.03	547.46	538.31	471.00	7.78	4.15	[illegible]	0.00	549.71 29/1	395.41 28/8	549.71 29/1/93	31.21 7/1/75
69 Property(28)	683.06	+1.9	670.60	668.81	659.76	792.56	8.22	6.20	15.75	[illegible]	799.69 20/1	464.71 16/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial(23)	320.37	+0.2	319.87	318.71	316.39	240.91	6.76	5.26	19.46	0.05	320.37 29/1	215.81 2/9	[illegible]	33.29 17/12/74
71 Investment Trusts(107)	1366.84	+0.1	1365.41	[illegible]	1359.30	1186.80	2.43	3.06	[illegible]	2.21	1366.84 29/1	1024.12 25/8	1366.84 29/1/93	71.12 13/12/74
99 FT-A ALL-SHARE(806)	1364.33	-0.3	1368.48	1373.87	1373.49	1227.84	6.43	4.36	20.01	1.82	1373.87 27/1	1086.13 25/8	1373.87 27/1/93	61.92 13/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	2820.9	2812.6	2818.3	2817.1	2809.6	2798.7	2810.0	2809.8	2805.7	2807.2	2821.1	2798.2
FT-SE Mid 250	2968.6	2964.1	2965.8	2962.4	2960.0	2946.5	2952.3	2953.3	2954.8	2954.8	2968.6	2946.1
FT-SE-A 350	1389.2	1385.6	1387.9	1387.1	1384.0	1378.4	1383.4	1383.4	1381.9	1382.5	1389.2	1378.3

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Prev close	change
Constrcn	1525.4	1522.8	1521.6	1521.0	1520.5	1526.6	1526.1	1528.3	1528.8	1527.6	1524.9	+2.7
Health&H	1187.2	1184.3	1188.0	1190.7	1189.1	1187.0	1197.2	1196.4	1193.2	1194.6	1187.2	+7.4
Water	1324.5	1319.8	1321.0	1320.0	1319.1	1308.3	1322.1	1320.2	1319.5	1319.4	1323.2	-3.8
Banks	1557.6	1557.1	1559.6	1558.5	1548.2	1541.3	1545.3	1548.9	1545.8	1548.7	1558.4	-9.7

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE SmallCap	31/12/92	1363.79	Engineering - General	29/12/89	486.00	Other Financial	31/12/70	128.06
FT-SE SmallCap exInv Trust	31/12/92	1363.79	Water	29/12/89	1968.45	Food Manufacturing	29/12/67	114.13
FT-SE Mid 250	31/12/85	1412.60	Conglomerates	31/12/86	1114.07	Food Retailing	29/12/67	114.13
FT-SE-A 350	31/12/85	682.94	Telephone Networks	30/11/84	517.92	Insurance Brokers	29/12/67	96.67
FT-SE 100	31/12/83	1000.00	Electronics	30/12/83	1646.65	All Other	10/4/62	100.00
Business Services	31/12/90	999.65	Other Industrial Materials	31/12/80	287.41	British Government	31/12/75	100.00
Electricity	31/12/90	889.65	Health/Household Products	30/12/77	261.77	Do. Index-linked	30/4/82	100.00
Media	31/12/90	1228.68	Other Groups	31/12/74	63.75	Debs & Loans	31/12/77	100.00
Engineering - Aerospace	29/12/89	486.00	Industrial Group	31/12/70	128.20			

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company.

Half hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Murray Johnstone UT Mgmt (1000)H

7 West Nile St, Glasgow G2 2PX 0345 090 933

[illegible]

NFU Mutual Unit Mngrs Ltd (1400)F

[illegible]

NM Unit Trust Mngrs (1200)F

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administration costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

Life Assurance and Unit Trust Regulatory Organisation,

Centre Point,

103 New Oxford Street, London WC1A 1QH

Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300				Dealing 0277 261010		
European						
Intl Bond & Conv	5	104.30	104.80	110.30	+1.18	2.71
Pooled Pension $	5	121.80	122.00	128.40	+0.30	5.62
Smaller Cos	7	£146.9	150.7	161.0	-0.1	-
UK General	5	59.40	61.21	64.43	+0.26	2.11
	5	114.30	116.00	122.10	-0.70	2.94
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1				071 407 5966		
Income	5	379.92	379.92	402.72	-0.85	5.12
Global Inc	5	55.36	55.36	58.68	+0.18	4.14
Brit Leaders	5	311.69	311.69	330.39	-1.21	3.09
Intl Leaders	5	177.57	177.57	188.22	+0.84	1.74
P As Man Bd Gwth Inc ¶	3¼	51.43	52.84	54.90	-0.16	3.10
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF				081-663 3003		
European Trust	6	49.53	49.62	52.79	+0.46	1.58
Far Eastern Tst	6	53.51	54.20	57.66	+0.47	0.86
Smaller Cos	5	133.9	138.5xd	147.3	+1.0	2.88
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS.				071-637 5377		
S & W American $	5	266.4	267.0	282.5	-0.30	1.23
S & W Capital	5	111.1	111.1	119.1	-0.10	1.96
S & W Cash $	0	102.17	102.17	102.17	+0.02	6.56
S & W European	5	108.1	108.2	114.4	-0.10	1.45
S & W Far Eastern	5	108.0	109.0	115.3	-0.40	0.03
S & W Growth	5	118.5	119.9xd	126.9	-0.20	1.60
S & W Income	5	106.9	109.1	114.3	+0.10	5.31
S & W Magnum	5	117.4	117.4	125.9	-0.20	1.86
S & W Smllr Secs	5	282.8	288.5	305.3	+1.60	0.79
S & W Thoroughbred	5	135.5	135.5xd	145.4	-0.10	1.71
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT				071-410 4029		
American Grwth	5¼	80.76	80.76	86.37	+0.37	0
Eur Sp Sits Acc	5¼	42.91	42.91	45.58	+0.15	0
Eur Sp Sits Inc	5¼	40.53	40.53	43.05	+0.16	0
Far East Opps Inc	5¼	26.98	26.98xd	29.08	+0.29	0
Far East Opps Acc	5¼	27.72	27.72	29.88	+0.30	0
General Growth	5¼	94.64	94.64xd	101.30	-0.30	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane London EC2V 8BT				071-600 0462		
Challenger	2¼	89.49	89.49	91.59	+0.50	0.00
Short Dtd Gilt	1¼	108.9	108.9	110.4	+0.30	4.47
U.S. Govmt Bond	1¼	$0.7088	0.7088	0.7181	[illegible]	0.00
Gilt Income	4	51.84	51.84	53.94	+0.38	8.00
Gilt Growth	4	64.39	64.39	67.01	+0.40	0.00
City Reserve	0	52.06	52.06xd	52.06	+0.02	6.23
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG				0705 388046		
Stockmarket Fd F	5	63.97	64.14	68.23	-0.36	2.37

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exm. Jan 20.	1653.6	674.71	+25.9	1.03
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.38	54.24		4.9
Income Plus	49.15	50.16	..	7.6
James Capel Fund Managers Ltd				
European Exempt	£104.857	106.159xd	+0.692	3.15
Japanese Exempt	£104.786	106.378	+1.424	-
Managed Exempt	£129.466	131.578xd	+0.041	3.29
North American Exempt	£100.359	102.257	+1.443	1.17
Pacific Exempt	£103.627	105.599	+1.042	3.20
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ				071-588 1815
Inv Fund Dec 31	582.50	586.60	..	5.08
Fxd Int Sec Dec 31	151.95	152.70	..	9.50
Deposit Fund. See Money Market Trust Funds.				

INSURANCES

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Dllr Geared Curr NAV Jan 29		$16 19	..	-
Paragon Plus Red Jan 4		£9 99	....	-
Paragon Stlg Red Jan 4		£11.32	...	-
SE Asian Wrt NAV Jan 28		$9.70	....	-
Govett Mngt Futs Jan 29	£13 66	14 98		-
Govett Mngt Futs Jan 29	$9 64	10 55		-
Mex Horizons Inv Jan 28		$15.45		-
Mex Horizons Inv Wrts Jan 28		$7 54		-
Dllr Geared Bd Jan 29		$7 24		-
IBI Global Funds Limited				
Intl Stlg Grwth	£20 86	21 96		-
Intl $US Grwth	$18.22	19 19		-
High Income Gilt	£25.76	26.70		-
International Equity	£21 38	22 52		-
International Bond	£23 33	24 19		-
Managed Currency	£27 77	28 06		-
Sterling Currency	£26 72	27.00		-
US$ Currency	$37 84	38.23		-
Irish £ Currency	I£15 55	15.72		-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11 16	11.64		-
R F. Offshore Inc Fd Ltd	£11 60	12 09		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.65	10 44		-
Kelton Miles W/W S/S	£10.91	11.16		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£- 21.1898	21.2060		-
Managed Capital Bd	5		I£- 21.5859	21 6135		-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.0565		-
Sterling Currency Fd	5		£-	10.6346		-
Ecu Currency	5		Ecu-	11.0294		-
US Dollar Mngd Curr	5		$-	21.7327		-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (acc)	5¼		£0 887	0 893 0 955	+0.04	0 6
Global Income (Inc)	5¼		£0 526	0.533 0 570	+0.01	3 0
Global Resources	5¼		£0 419	0.424 0.454	+0.01	0.6
Currency Funds						
Stlg Premium Income			£10.12	10 13	+0.01	4.3

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.498	2.623	...	1 18
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.97	10 01	+0 07	9 39
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Jan 28	$13 46	13 74	..	2 91
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	54.7	57 0		7.05
UK Equity Fd (z)	227.4	242.0	-0.01	2 64
*Intl Bond Fd	97 0	100 0		6.87
*Sterling Mngd Asset Fd	538.5	568.0		5 00
*Sub day every Thurs				
NatWest TrustCur Currency Fund (z)				
Dollar Class		$38.2651	-0 0165	-
Sterling Class		£27.1474	+0.0041	-
D-Mark Class		DM84 4830	+0 0173	-
Japanese Yen Class		Y7990 7635	+0 6169	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica F'folio Ltd £	11.39	11.84		-
Ashburton Replica F'folio Ltd $	$10.58	11.00	......	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 14	$35.05	37 26	...	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd	$3 7509	3 9861	..	-
Offshore Japanese Grwth Fd	$0.8924	0.9484		-
Offshore Am Grwth Fd	$6 7497	7 1730		-
Offshore Emerging Cos	$4 0275	4 2800		-
Offshore European Fd	$1.5251	1.6208	..	-
Offshore Global Bond	[illegible]	[illegible]		-
Offshore Global Bond Acc	$0 9813	1 0222		-
Offshore Far Estrn Fd	$2.3177	2.4631	..	-
Offshore UK Growth Fd	$2.0129	2.1392	....	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Jan 22		$4.32		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.35	15.58	..	1.43
LFM Defensive Strtgy	£11.31	11.90	....	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int Utr.	98.50	99.50	....	6 98
Intnational Bond U/t	$1 121	1.133	..	5.30
†Prices on Jan 27. Next dealing Feb 3				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£36.8054	..	6.40
US $		$48 8578	..	2.15
D-Mark		DM84 0612	..	7.57

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Nomura Global Fund (u)						
1 St Martin's-le-Grand, EC1A 4NP						071 236 8811
Asia Pacific F'folio			$-	6 49	-0 02	-
Norwich Union Intl Portfolio (u)						
10a boulevard Royal, L-2093 Lux						010 352 46461
Nth American Equity			$-	2.75		-
European Equity			$-	1 99		-
Pacific Equity			$-	2.42		-
Global Equity			$-	2.19		-
Nth American Bond			$-	2.50		-
European Bond			$-	2.36		-

	Bid Price	Offer Price	+ or -	Yield Gross
Europe Value Fund (u)				
NAV		$9.98	-0.07	-
EurOptec (u)				
European Protection	Ecu93 44	98.89		-
Fidelity Intl Inv Mngt (Luxembourg) SA				
Conv Sec Portfolio	$7 98	8.38		1.89
New Europe Fd	$9.61	10 09		0.52
Fidelity Investment (CI) Ltd				
Blncd Port—Hedged	$12 60	13.23		0.79
Blncd Port—Unhedged	$11.50	12 08		0.86

	Bid Price	Offer Price	+ or -	Yield Gross
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Jan 21		$5.72		-
BEA Associates				
5th America NAV Jan 21		$2.35		-
Mexico Lat Amts Jan 19		$12.3553		-
Argentina Debt Fd Jan 12		$12.39		-
BEA/Vector Latin Am Dbt		$11 79		-
Brazilian Eqties Ltd Dec 31		$87.90		-
Julius Baer Bank & Trust Co Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management—Contd.				
GAM Tyche	$306.71		...	-
GAM U.S.	$219 99			-
GAM nt Investments	$647.35		+5 35	-
GAM Value	$116.36			-
GAM Whitethorn	$184.33			-
GAM Worldwide	$371 35			-
GSAM Composite	$277.07		......	-
GAM Bond $ Ord	$138 13			-
GAM Bond $ Special	$164.23			-
GAM Bond SwFr	SFr94.15		...	-

	Bid Price	Offer Price	+ or -	Yield Gross
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	C$10 180	11 1213	...	-
Orbitex Growth Fund	$7 6681	8 4349	...	-
[illegible]	$5 8900	6 4790	...	-
ORIENT Growth Fd				
NAV		$9.39	-0 08	-
PFC Internatl Portfolio Fd Mngt Ltd				
Specialist Growth Fd		$2 69		-
Balanced Growth Fd		$2.36		-
Sterling Income Fd		£1 55		-

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED(**))

JERSEY (REGULATED(**))

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS
(3 pm)

January 29	US$	+ or −
AAR Corp	11⅞xd	−⅛
AMP Inc	57⅜	−¼
AMR Corp	63	+¼
ASA	32⅝	+⅜
Abbott Labs	27¼	+⅛
Acme Cleveland	8⅝	+⅛
Advanced Micro	18⅝	−⅜
Aetna Life	50½xd	+⅛
Affiliated Publ	12⅜	−1¼
Aflac	33½	+⅛
Ahmanson (HF)	20⅛	+⅛
Air Prod & Chemical	44¼	+½
Alberto-Culver B	23¾	−⅛
Albertson's	48⅝	..
Alcan Aluminium	18⅝	...
Alco Standard	40¼	+⅝
Alexander & Alex	27	+¼
Alex & Baldwin	23½	−½
Allegheny Power	48⅝	...
Allied Signal	58¼	−⅜
Aluminium Co of Am	74⅝	+⅜
Amax	17¾	−¼
Amdahl Corp	8⅜	+⅛
Amerada Hess	47⅞	−1⅞
Amer Brands	35¾	−½
Amer Cyanamid	53⅝	−⅝
Amer El Power	33¾	−⅛
Amer Express	23⅛	+⅜
Amer Genl Corp	56⅞	−¼
Amer Greetings A	47⅛	−⅝
Amer Home Pr	62¼	−¼
Amer International	117⅞	+¼
Amer Natl Ins	54½	+1
Amer Stores	42⅞	...
Amer T & T	52¼	−⅛
Ameritech	71½	−1⅛
Ametek Inc	16⅝	+¼
Amoco	52⅞	−¼

January 29	US$	+ or −
Crane	25¼	+⅛
Cray Research	27½	−¼
Crown Cork & Seal	39⅝	−½
Cummins Engine	78⅝	−⅝
Curtiss-Wright	38⅝	...
Cypress Semicond	11	
Cyprus Minerals	33⅝	−¼
DSC Commun	26⅞	−1⅛
DQE	33⅜	+½
Dana Corp	47	−½
Data General	11⅝	.
Dayton Hudson	78⅝	−½
Deere	46½	..
Delmarva Pow & L	22¾	+⅛
Delta Air Lines	51⅝	+⅝
Deluxe Corp	42⅞	+⅛
Detroit Edison	34⅛	+⅛
Dial Corp Del	43⅞	−⅛
Diebold Inc	65	−⅛
Digital Comms	18⅞	−⅛
Digital Equipment	42¼	+½
Dillard Dept St	48¾	−⅛
Disney (Walt)	45⅝	−⅜
Dole Food Inc	32¾	+1¾
Dominion Res	40¾	+¼
Donelley (RR) & Sons	27⅞	−⅜
Dover Corp	45⅛	−¼
Dow Chemicals	53	+⅜
Dow Jones	29½xd	−⅛
Dravo Corp	9¼	−⅛
Dresser	18⅜	+⅛
Dreyfus Corp	43¼xd	+⅞
Duke Power	36½	−⅛
Dun&Bradstreet	57⅛	−1⅝
Du Pont	45⅝	...
E G & G Corp	21¾	...
E-Systems	43⅜	+⅛
Eastern Enterprises	27⅛	+⅛
Eastman Kodak	50	+⅛

January 29	US$	+ or −
Commun Satellite	30⅛	−½
Compaq Computer	51¼	−¼
Computer Ass Int	25⅝	+⅛
Computer Sciences	79⅞	+⅛
Conagra	31xd	+¼
Cons Edison	33½	+⅛
Cons Freightways	17¾	−⅛
Cons Nat Gas	45⅛	.
Cons Paper	38¼	...
Cons Rail	54⅛	+¼
Contl Bank Corp	23⅛	+⅛
Contl Corp	26	−¼
Cooper Inds	49⅜	+⅛
Coors (Adolph)	16⅛	+½
Corestates Finl	36⅛	+⅛
Corning Inc	36¼	−1

January 29	US$	+ or −
Intl Multifoods	25	−¼
Intl Paper	64¼	−½
Interpublic	33⅞	−⅛
InterTAN	8⅛	−¼
James River Va	17¼	+⅛
Jefferson Pilot	47¼	+¼
Johnson Controls	46⅛	−⅛
Johnson & Johnson	43⅞	...
K Mart	23⅜	+¼
Kellogg	62¼	+⅛
Kennametal	29⅛	...
Kerr-McGee	44⅛	−½
KeyCorp	40⅛	...
Kimberly-Clark	57⅝	−1⅞

January 29	US$	+ or −
Phillips-Van Hsn	29	
Pinnacle West Cap	20⅛	
Pioneer Hi Bred	27	
Pitney Bowes	40⅛	
Pittston	15	−⅛
Polaroid	29	−¼
Policy Mgt Sys	79¼	+½
Potlatch Corp	46	+⅛
Potomac El Pwr	24⅞	+¼
Praxair	16½	−¼
Premier Indl	27½	−½
Price Co	37½	
Primark Corp	15¼	−⅛
Primerica	53¼	−⅝
Procter & Gamble	49¾xd	..

January 29	US$	+ or −
Varity Corp	29⅛	−⅛
Vornado	38⅞	+⅛
Vulcan Materials	48⅞	+⅛
Wachovia	65½	−⅛
Wainoco Oil	4.12	+0.13
Walgreen	39⅜	+⅛
Wal-Mart Stores	64⅜	
Wang Labs B	1.69	+0.25
Warner-Lambert	65⅞	+⅛
Washingt Gas Light	37⅛	−⅜
Washingt Post B	233¼	+1¼

January 29	Can. $	+ or −
Thomson Corp	14	−⅛
Toronto Dom Bk	15⅛	...
Total Pet N Am	8⅜	..
Transalta	13¼	...
Trans Can Pipe	17	+¼
Trimac	10⅜	+¼
Trizec A	1.95	+0.03
United Dominion	12½	+⅛
Univa	7⅜	...
Westcoast Energy	16⅜	...
Weston (George)	34½	...

GERMANY (continued)

January 29	Dm.	+ or −
Deutsche Bank	638.50	+1.50
Didier-Werke	102	+1.20
Douglas Hldg	461	+1
Dragerwerk	219	−1
Dresdner Bk	347	+2.50
GEHE	357	−13
Gerresheimer	217.50	+2.30
Goldschmidt (TH)	760	−20
Hamburg Elekt	170	...

NETHERLANDS (continued)

January 29	Fls.	+ or −
AMEV Dep Recs	65.20	−0.10
Bols Lucas Dep Rec	45.20xd	+0.80
Buehrmann T Dp Rcs	28.60	+0.10
CSM Dep Recs	106.70	+0.90
DAF	6	−1.20
DSM	78.10	+0.80
Dordtsche Petr	137	+1.70
Elsevier Dep Recs	125.80	+0.50
Fokker Dep Recs	13.90	

SWEDEN (continued)

January 29	Kroner	+ or −
Incentive B	167	+4
Investor A	117	+1
Investor B	118	+3
Mo Och Dom B	210	+7
Nobel A	14	
Nobel B	14	+0.50
Procordia A	170	+4
Procordia B	170	+7
SCA A	115	+1
SCA B	113	
SKF A	70	+0.50

INDICES

NEW YORK
DOW JONES

	Jan 28	Jan 27	Jan 26	Jan 25	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3306.25	3291.39	3298.95	3292.20	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	104.85	104.70	104.56	104.30	104.85 (28/1/93)	98.41 (20/3/92)	104.85 (28/1/93)	54.99 (1/10/81)
Transport	1496.95	1494.13	1489.49	1478.21	1520.11 (18/1/93)	1204.40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	225.09	224.27	224.15	224.52	225.59 (3/1/92)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3327.86 (3318.67) Low 3270.58 (3260.05) (Theoretical)
Day's High 3307.60 (3301.65) Low 3290.04 (3274.91) (Actual)

STANDARD AND POOR'S

	Jan 28	Jan 27	Jan 26	Jan 25	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	438.66	438.10	439.95	440.01	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	508.30	507.58	510.26	509.93	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	42.16	42.23	42.21	42.19	42.27 (19/1/93)	32.40 (8/4/92)	42.27 (19/1/93)	8.64 (1/10/74)
NYSE Composite	241.70	241.45	242.53	242.47	242.53 (26/1/93)	217.92 (8/4/92)	242.53 (26/1/93)	4.46 (25/4/42)
Amex Mkt. Value	410.49	410.18	411.60	409.52	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	694.67	697.90	707.16	706.95	707.16 (26/1/93)	547.84 (26/6/92)	707.16 (26/1/93)	54.87 (31/10/72)

	Jan 22	Jan 15	Jan 8	year ago (approx.)
Dow Industrial Div. Yield	3.18	3.17	3.19	2.87

	Jan 27	Jan 20	Jan 13	year ago (approx.)
S & P Industrial div. yield	2.51	2.60	2.59	2.78
S & P Indl. P/E ratio	26.96	26.62	26.70	23.24

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Wellpoint	9,105,100	33½	...
Tucson	8,456,500	3¼	..
Service Me	5,158,100	11⅛	−4
Telefonos	4,290,300	52	−3⅛
Amer Express	3,600,000	22⅞	−⅝
Motorola	3,462,600	56⅞	−1½
IBM	3,095,100	50⅛	+¼
West Dig	3,086,400	8⅝	+½
Citicorp	2,903,700	25⅞	−½
RJR Nabisco	2,596,100	8¼	+⅛

TRADING ACTIVITY

† Volume (Millions)	Jan 28	Jan 27	Jan 26
New York SE	256.550	276.880	311.410
Amex	16.819	16.985	23.389
NASDAQ	227.732	238.211	252.195
NYSE			
Issues Traded	2,439	2,457	2,441
Rises	912	706	1,091
Falls	908	1,179	821
Unchanged	619	572	529
New Highs	93	99	186
New Lows	15	22	19

CANADA
TORONTO

	Jan 28	Jan 27	Jan 26	Jan 25	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2782.42	2806.21	2778.76	2799.27	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3307.42	3311.64	3312.80	3295.60	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1744.52	1750.19	1751.17	1735.67	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's)

	Jan 29	Jan 28	Jan 27	Jan 26	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1528.2	1526.7	1534.8	1529.2	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	592.6	591.5	599.4	595.9	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	322.8	319.5	318.63	311.59	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	771.4	763.46	760.97	743.71	1099.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1188.25	1180.88	1178.45	1178.30	1235.40 (2/6/92)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	283.36	281.27	280.95	279.63	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	867.5	862.7	872.6	866.6	935.90 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	476.37	471.25	475.12	475.57	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1772.21	1780.64	1777.35	1792.55	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	615.83	612.20	613.87	616.27	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1744.40	1733.90	1739.80	1746.5	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1571.85	1567.84	1562.32	1576.16	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5751.4	5804.5	5939.89	5923.73	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1271.03	1255.17	1264.33	1222.12	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	486.91	478.02	480.38	473.09	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1075.0	1055.0	1061.0	[illegible]	1078.00 (19/1/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17023.78	17063.41	16509.68	16492.63	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1298.88	1291.87	1260.10	1255.91	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1668.20	1662.25	1654.24	1651.72	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	624.49	618.41	624.89	626.34	660.35 (5/11/92)	[illegible]
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	299.7	297.6	297.4	297.8	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	201.7	200.3	200.1	200.4	215.50 (26/5/92)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	681.91	673.48	669.93	673.90	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1343.18	1340.90	1324.34	1317.31	1580.95 (11/6/92)	[illegible]
SINGAPORE						
SES All-Singapore (2/4/75)	407.85	403.17	402.06	404.31	416.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	904.0♥	875.0	844.0	839.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4523.0♥	4512.0	4507.0	4508.0	4689.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	679.96	687.79	694.57	702.50	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	229.95	229.57	231.75	233.23	266.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	895.00	879.10	898.00	896.2	1014.50 (11/5/92)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	921.1	915.9	913.1	922.1	938.10 (5/1/93)	748.50 (8/1/92)
SBC General (1/4/87)	701.4	696.6	695.0	701.0	704.00 (22/1/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3251.23	3293.01	3283.09	(c)	5391.63 (30/1/92)	3088.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	974.48	974.54	983.41	987.97	998.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	497.3*	499.0	496.2	498.7	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	877.73	873.02	875.72	882.93	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday January 23. Taiwan Weighted Price (c), Korea Comp Ex (c)
♥ Subject to official recalculation.
*Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Economic data fails to give spur to Dow

Wall Street

US SHARE prices moved in a narrow range yesterday as investors struggled to find interest in stocks in spite of some further good economic data, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 0.54 at 3,305.71. The more broadly based Standard & Poor's 500 was down 1.20 at 437.46, while the Amex composite was 0.08 lower at 410.41, and the Nasdaq composite up 0.10 at 694.77. Trading volume on the NYSE was 143m shares by 1 pm, and declines outnumbered rises by 874 to 817.

The morning's economic news should have been positive for the market. New factory orders for durable goods, a notoriously volatile and unreliable indicator, surged 9.1 per cent in December, the largest monthly gain in more than a year. Other data showed that personal income rose by 1.0 per cent and personal spending climbed 0.5 per cent last month, both solid increases.

Although the figures were all stronger than analysts had expected, they were not enough to encourage much buying of stocks. Investors, it seemed, had decided to take their cue from the bond market, which fell on the data, reversing its recent rally and pushing up interest rates.

Among individual stocks, Xerox climbed $1⅞ to $83⅞ in spite of news of a $736m net loss in the final quarter of last year, compared with a profit of $91m a year earlier. The shares held up well because earnings were affected by special one off charges, and because the company issued positive statements about the outlook for this year.

Pfizer fell $⅝ to $65½ in busy trading after broking house PaineWebber downgraded its investment rating on the stock due to uncertainties surrounding a class-action lawsuit that might be filed against the company alleging that a unit of Pfizer manufactured defective artificial hips.

Airline stocks rebounded from news earlier in the week of bad fourth quarter earnings. Delta rose $⅞ to $51⅞, AMR, parent of American Airlines, put on $⅜ at $62⅞, and UAL climbed $1¼ to $123⅛.

Cellular telephone companies remained under heavy pressure over speculation that use of the telephones causes health problems. Motorola slumped $5⅞ to $50⅛, and on the Nasdaq market, McCaw Cellular dropped $2⅞ to $33½ and LIN Broadcasting fell $3¼ to $78⅞.

BUENOS AIRES opened sharply higher following Thursday night's government measures to boost market liquidity in the Argentine. These included cuts in minimum reserve requirements, more flexible credit and banking rules, and the near-elimination of stamp duty. The Merval index was 6.35 per cent higher at 416.83 within the first half hour of trading.

Canada

TORONTO saw modest losses at midday as Northern Telecom, whose chairman announced his resignation on Thursday, lost C$1⅞ to C$55¼. The TSE 300 index was 3.0 lower at 3,306.0 in volume of 17.8m shares valued at C$158m. Advances led declines by 230 to 191 with 212 issues unchanged.

SOUTH AFRICA

GOLD shares continued to perform strongly with the index rising another 29 to 904 for a gain of 11.7 per cent on the week. Vaal Reefs added R7.50 to R162.50. Industrials put on 11 to 4,523 while the overall index rose 18 to 3,433.

Juniors outperform Canadian heavyweights

Bernard Simon assesses the growing popularity of second and third-tier stocks with Toronto investors

Investors searching for the real action in Canadian stock markets these days need to look beyond Toronto's benchmark TSE 300 index.

The index, which covers the 300 companies with the biggest market capitalisations, bumped along in a narrow band between 3,400 and 3,600 for most of 1992, ended the year 6.5 per cent lower than it began; it has fallen further in 1993.

However, the TSE 300 is dominated by a few dozen heavyweight banks, utilities and manufacturers. The top 50 companies make up 72 per cent of the index's weight, with the next 50 contributing another 13 per cent.

Mr Michael Shannon, an analyst at Burns Fry in Montreal, notes that "the bottom 50 companies, which have 1.1 per cent of the index, could go bankrupt, but so long as BCE [the telecommunications group which has a 7.7 per cent weighting] went up 15 or 20 per cent, the TSE 300 would show no change".

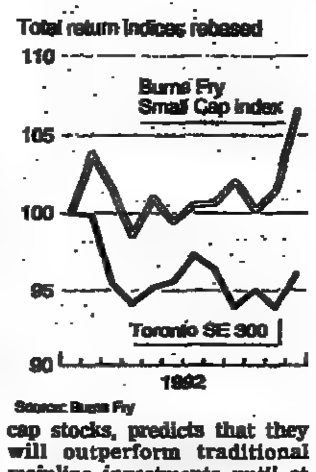
Most of the leading performers these days are among second and third-tier companies. An index compiled by Burns Fry, which tracks the share prices of companies in the bottom half of the TSE 300, together with about 200 others with a market value of more than C$15m ($11m), has performed more strongly than the TSE 300 for more than two years.

On a total return basis, including dividends, the Burns Fry index climbed 19 per cent in 1991 and another 13 per cent last year.

The growing popularity of investments in smaller companies is reflected in a proliferation of "special opportunities", "special growth" and "capital appreciation" mutual funds.

Many Canadian pension funds are for the first time setting aside some of their cash flows for small-capitalisation investments.

Mr Sebastian van Berkom, a Montreal institutional portfolio manager specialising in small-cap stocks, predicts that they will outperform traditional mainline investments until at least the mid-1990s.



Source: Burns Fry

While hard to prove, smaller Canadian companies generally appear to have responded more energetically to opportunities created by the 1989 US-Canada free trade agreement.

Their managers are less preoccupied with cost-cutting and restructuring, and have been able to give more attention to expansion and acquisitions.

Many are also in cyclical, export-oriented sectors, such as energy and forest products, which have benefited more than the big banks and utilities from a 13 per cent fall in the Canadian dollar over the past year.

Junior oil and gas producers and drillers have been especially popular among investors. They have lower overheads than the giants of the energy industry and have grown fast by picking up properties discarded by companies such as Imperial Oil and Petro-Canada.

Mr John Embry, who manages Royal Bank of Canada's recently-launched Canadian Growth Fund, says that "the problem with the big companies is that they're not even replacing their reserves. You're dependent on a higher oil price."

Specialised lumber producers have been another small-capitalisation favourite. While Canada's mainline forestry companies struggle to overcome sluggish pulp and newsprint markets, the niche players in the timber industry are making hay from the recent surge in North American lumber prices and the fall in the Canadian dollar.

Less than two months after going public at C$7.88 a share, Riverside Forest Products of Vancouver is now trading at over C$14. Its glamour stems from the attractive price it paid for a lumber and plywood mill which it bought from Fletcher Challenge Canada just as timber prices were taking off last year.

Other popular lumber stocks include Slocan Forest Products, Green Forest Lumber and International Forest Products. While portfolio managers are confident that the cycle in small-cap stocks has at least a year or two to run, they warn against being caught up in the excitement.

"You've got to be very selective and have a disciplined approach," says Mr Allan Jacobs, vice-president at Canada Life Investment Management in Toronto. Mr Embry at Royal Bank says he has already become uncomfortable with "the degree of speculation and the valuations" of many high-technology and bio-technology stocks.

As an example of a bubble waiting to burst, he cites Newbridge Networks, a fast-growing supplier of telecommunications networks, whose share price has rocketed in the past year from less than C$10 to a peak earlier this month of C$61.88. Newbridge has slipped back by almost C$5 in the past week.

Mr Jacobs says that Canada Life's small-cap portfolio is limited to companies with healthy balance sheets, strong management and a track record of solid earnings.

Shares trading below book value would not be considered. "The key is to buy real companies," he asserts.

EUROPE

Paris loses ground after interest rate speculation

CORPORATE news dominated trading yesterday, while the stronger dollar also helped to lift a number of markets, *writes Our Markets Staff.*

PARIS, however, retreated after good morning gains on a rumour that base rates were to be raised. The banking sector fell: Paribas, which after the close reported provisional 1992 earnings below some analysts' expectations, lost FFr10.60 at FFr363.20; Société Générale eased FFr13 to FFr586; and Suez slipped FFr1.50 to FFr255.

The CAC-40 index, which had seen a day's high of 1,801.26, fell steadily in the afternoon to close 8.43 lower at 1,772.21, down 2.6 per cent on the week. Options expiry boosted turnover to FFr3.1bn.

Alcatel, accounting for 10 per cent of the day's volume, recovered some of Thursday's losses with a rise of FFr10 to FFr620, while Lafarge Coppée, whose US unit reported disappointing 1992 earnings, eased FFr12 to FFr307.

FRANKFURT saw some individual moves on company news as the DAX index closed 4.01 higher at 1,571.85, down 1 per cent on the week. Turnover stayed low at DM4.3bn, down from DM4.8bn on Thursday.

Volkswagen ended DM4.80 up at DM278.30 with a single large order hanging over the market and Allianz, the insurer, rose DM18 to DM2,072 for a two-day gain of DM38 on further talk of derivatives market influence.

Metallgesellschaft fell DM10 to DM329, down DM22 on the week, on a sharp drop in profits and the confirmation of a dividend cut.

Among second liners, tough staff reductions at Kugelfischer, the ball bearings company, took the shares up DM3.50 to DM88.50; but PWA, the papermaker, fell DM6.50 marks to DM154 as it reported a collapse in 1992 profits.

AMSTERDAM was encouraged by the firmer dollar and stronger oil prices with Royal Dutch up Fl 2.00 at Fl 147.90 as the CBS Tendency index rose 0.4 to 97.6, down 1.2 per cent on the week.

Daf slipped Fl 1.15 to Fl 6.05 in spite of news that it had secured short-term financing; investors remained worried over long-term prospects.

ZURICH was supported by strong domestic demand in a moderately active session. The SMI index finished 18.5 higher at 2,091.1, a fall on the week of 0.5 per cent.

Roche certificates led industrials higher with a SFr60 rise to SFr4,100 after falls earlier in the week, when investors were reported to be switching out of the stock. Sandoz certificates added SFr30 to SFr3,110.

Adia fell SFr11 to SFr157 after Thursday's SFr27 decline in further reaction to its worse than expected results.

SMH was in demand after favourable press comment on the prospects for its Swatchmobile plans. The registered shares rose SFr60 to SFr1,555.

MILAN saw renewed strength in Fiat and the Comit index rose 3.89 to 486.91, a rise of 0.9 per cent on the week.

Fiat ordinary fixed L340 higher at L4,340 and firmed to L4,410 after hours in response to the better than expected results for 1992, announced after the close on Thursday.

The positive tone spilled over into other industrials but the market also derived some strength from good results from Banco Lariano. The shares, widely held domestically, rose L350 to L4,950.

Montedison, down almost 14 per cent since the beginning of the week, firmed L30 to L1,130, while its parent Ferruzzi rose L33 to L1,136.

The pick-up was attributed to the lack of any more of the bad news that had dogged the shares during the week and recurring speculation that Montedison might be planning a disposal.

BRUSSELS was lifted by a stronger steel sector. The Bel-20 index was 7.37 higher at 1,188.25, up 1.3 per cent on the week, in turnover of BFr1.3bn. Cockerill added BFr8 to BFr100 while Clabecq put on BFr10 to BFr376.

STOCKHOLM recovered some of the ground lost during in previous session with a rise in the Affärsvärlden index of 15.9 to 895.0, down 1.9 per cent on the week. Electrolux B gained SKr7 to SKr217 ahead of its 1992 results due next Thursday while Ericsson, the day's most active issue, saw its B shares improve SKr4 to SKr176.

DUBLIN returned to the attack again after Thursday's interlude, and continued speculation that the punt will be devalued saw the ISEQ overall index rise

Brokers said that the punt looked safe for the weekend but that senior blue chips including Bank of Ireland, up 2½p at I£1.84, CRH, 6p better at I£2.13, and Smurfit, up 8p at I£2.58, were bought on the view that the government, sorely tested this week, will not be able to hold out much longer.

FT-SE Actuaries Share Indices

January 29 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1078.05	1079.24	1079.03	1080.65	1081.59	1082.67	1080.29	1079.18
FT-SE Eurotrack 200	1149.95	1150.01	1150.86	1148.79	1148.86	1149.29	1150.11	1148.15

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 22
FT-SE Eurotrack 100	1072.70	1072.28	1084.24	1077.68	1091.64
FT-SE Eurotrack 200	1148.08	1147.45	1156.52	1146.87	1156.91

Base value 1000 (26/10/90) High/day: 100 - 1083.80; 200 - 1152.38 Low/day: 100 - 1077.53 200 - 1144.23.

ASIA PACIFIC

Nikkei index eases after week of recovery

Tokyo

SHARE prices moved marginally lower on late afternoon profit-taking, but sentiment remained firm amid active trading throughout the day, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed down 39.63 at 17,023.78, 4.2 per cent higher on the week, after a low of 16,950.44 and a high of 17,177.69. Active buying by financial institutions and public funds countered arbitrage selling and profit-taking, with share prices falling just before the close on large-lot selling by a foreign broker.

Volume totaled 330m shares against 326m. Gains outnumbered losses by 544 to 404 with 179 issues unchanged. The Topix index of all first section stocks gained 7.01 to 1,298.88 and in London the ISE/Nikkei 50 index rose 0.16 to 1,058.17.

Short sellers continued to cover positions, as speculation continued of an imminent discount rate cut. Comments during parliament by Mr Kiichi Miyazawa, the prime minister, dismissing worries of large-lot selling by companies facing redemptions on equity linked bonds, eased fears over a weak stock market ahead of the March year end book closing.

Trading in Oji Paper and Kanzaki Paper was suspended in the afternoon session on reports of a merger. After the close the two companies announced that they would merge in October at the ratio of five Oji shares to six Kanzaki shares. Kanzaki rose Y11 to Y615 and Oji fell Y4 to Y871 before trading was halted.

Some shipbuilding stocks extended gains on a comment by Mr Miyazawa that the use of doubled hull tankers may become a strict requirement. Hitachi Zosen rose Y11 to Y527 but Mitsui Shipbuilding fell Y6 to Y381 on profit-taking.

Nippon Housing Loan rose Y9 to Y289 on reports of a restructuring plan, centring around rate cuts by its creditors. Isuzu Motors, was the volume leader for the third straight trading day, rising Y3 to Y367 on active buying by dealers.

In Osaka, the OSE average closed up 133.09 at 18,423.45 in volume of 44.3m shares. Ono Pharmaceutical gained Y100 to Y5,570.

Roundup

Some bright spots emerged in Pacific Rim markets.

SINGAPORE overcame two days of resistance and the Straits Times Industrial index closed at an all-time high in volume which picked up to 95.52m shares from Thursday's 61.25m.

The index put on 21.93 to 1,620.16, or 1.7 per cent on the week. The previous record of 1,607.12 was set on March 27, 1990. Recently neglected shipyards were in demand.

HONG KONG more than halved sharp early losses as bargain hunters returned in the afternoon. The Hang Seng index ended 53.10 lower 5,743.65, down 2.9 per cent on the week. It had fallen 125 points in early trade after renewed Sino-British wrangling over Hong Kong's future. Turnover stood at HK$1.90bn.

Leading stocks led the losers, with HSBC Holdings falling HK$1 to HK$60 after Thursday's HK$1.50 decline.

BOMBAY continued to see speculative demand fuelled by expectations of an expansionary budget at the end of next month. The BSE index nosed through the 2,700 level briefly before closing at 2,680.79, up 35.43 on the day on5.4 per cent on the week.

The recovery has taken place in spite of political uncertainty and the lingering impact of bloody riots in Bombay earlier this month.

SEOUL ended lower for the fourth consecutive day as investors displayed little interest in buying, brokers said.

The composite index closed 7.83 down at the month's low of 679.96, or 2.8 per cent lower on the week.

KUALA LUMPUR was led higher by Malayan Banking which rose 60 cents to M$9.60 after its 38 per cent rise in half-yearly net profits. The composite index rose 6.08 to 624.49, little changed on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY JANUARY 28 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JANUARY 27 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	121.34	+0.3	118.62	95.26	100.02	118.59	-0.5	4.10	121.01	118.46	94.89	99.63	119.24	153.68	108.18	143.78
Austria (18)	140.83	+0.1	137.88	110.56	116.08	116.02	+0.2	1.99	140.65	137.66	110.29	115.79	115.80	166.70	131.16	172.19
Belgium (42)	141.67	+0.1	138.70	111.37	116.94	114.23	+0.1	5.29	141.74	138.76	111.14	116.89	114.13	152.27	131.10	141.04
Canada (113)	114.05	-0.4	111.50	89.54	94.01	104.88	-0.4	3.15	114.47	112.06	89.75	94.23	105.31	142.12	111.36	137.96
Denmark (33)	209.95	-0.2	205.26	164.83	173.06	174.76	+0.0	1.56	210.26	205.85	164.09	173.11	174.74	273.94	181.70	262.10
Finland (23)	69.09	-1.8	67.54	54.24	56.95	78.66	-0.9	1.79	70.38	68.90	55.19	57.94	79.61	89.80	52.84	87.75
France (98)	147.23	-0.3	143.94	115.56	121.35	124.02	+0.0	3.61	147.65	144.54	115.77	121.55	124.03	169.75	136.93	149.47
Germany (62)	108.19	+0.2	105.77	84.95	89.18	89.18	+0.3	2.56	108.02	105.74	84.71	88.92	88.92	129.66	101.59	116.91
Hong Kong (55)	231.25	-2.2	226.07	181.55	190.62	229.56	-2.2	3.92	236.43	231.45	185.39	194.65	234.68	262.28	179.38	189.47
Ireland (16)	142.67	-0.1	139.48	112.01	117.80	121.39	-0.1	4.37	142.75	139.74	111.93	117.52	121.57	173.71	122.98	167.51
Italy (76)	59.28	-0.4	57.95	46.54	48.86	65.36	-0.3	3.18	59.54	58.29	46.68	49.01	65.59	80.86	47.47	78.21
Japan (472)	104.52	+2.6	102.18	82.08	86.17	82.06	+2.7	1.01	101.88	99.75	79.89	83.86	79.69	140.95	67.27	125.43
Malaysia (69)	258.20	-0.7	252.43	202.70	212.83	260.24	-0.2	2.55	260.02	254.56	203.69	214.06	260.73	262.42	212.49	225.42
Mexico (18)	1640.34	-2.2	1603.66	1287.81	1352.13	5550.78	-2.2	1.08	1677.99	1642.63	1315.78	1381.42	5674.50	1789.77	1185.84	1532.07
Netherland (25)	156.12	+0.1	152.63	122.57	128.69	127.06	+0.2	4.46	156.03	152.75	122.35	128.46	126.84	169.70	147.88	150.50
New Zealand (13)	41.84	+0.2	40.90	32.55	34.49	42.86	-0.3	5.10	41.77	40.89	32.76	34.39	42.98	48.52	37.39	45.10
Norway (22)	140.56	+0.0	137.41	110.35	115.86	128.92	+0.4	1.87	140.66	137.60	110.22	115.72	128.35	192.95	120.05	180.60
Singapore (38)	215.57	+0.6	210.75	169.25	177.70	162.67	+0.6	2.02	214.34	209.83	168.08	176.46	161.65	229.68	179.65	225.49
South Africa (60)	161.58	+2.1	157.98	126.85	133.18	164.61	+0.3	3.09	158.20	154.87	124.05	130.34	164.07	263.80	194.21	245.62
Spain (47)	127.71	-1.7	124.85	100.27	105.27	109.47	-0.7	5.53	129.98	127.22	101.91	106.99	110.27	161.72	107.10	154.19
Sweden (36)	152.45	-2.6	149.05	119.89	125.67	162.44	-1.4	2.84	155.53	153.23	122.74	128.65	164.75	200.28	149.65	170.19
Switzerland (56)	112.98	+0.2	110.45	88.70	93.14	102.33	+0.2	2.09	112.74	110.56	88.41	92.82	102.08	122.27	85.99	90.38
United Kingdom (226)	172.08	-0.4	168.23	135.09	141.83	168.23	-0.5	4.42	172.89	169.05	135.40	142.16	169.05	200.07	161.86	180.38
USA (522)	179.25	+0.1	175.25	140.74	147.77	179.25	+0.1	2.81	179.06	175.28	140.41	147.42	179.06	180.08	160.92	167.97
Europe (780)	137.97	-0.3	134.86	108.32	113.73	125.40	-0.2	3.76	138.41	135.49	108.53	113.95	125.68	156.88	131.31	145.45
Nordic (114)	145.48	-1.7	142.23	114.22	119.92	137.10	-0.9	2.23	148.04	144.92	116.09	121.26	138.31	188.52	141.24	182.11
Pacific Basin (715)	109.32	+2.1	106.87	85.83	90.11	87.70	+2.2	1.37	107.06	104.79	83.94	88.13	85.82	141.07	93.70	127.86
Euro-Pacific (1495)	120.91	+1.0	118.21	94.92	99.66	102.74	+1.1	2.46	119.75	117.22	93.89	98.58	101.66	145.21	113.80	135.19
North America (635)	175.22	+0.1	171.30	137.58	144.46	174.22	+0.1	2.83	175.06	171.37	137.28	144.14	174.06	176.04	136.70	166.05
Europe Ex. UK (554)	117.36	-0.3	114.74	92.16	96.76	102.15	+0.0	3.29	117.71	115.23	92.32	96.92	102.18	132.98	111.33	124.35
Pacific Ex. Japan (243)	156.37	-0.8	152.88	122.79	128.91	145.28	-1.0	3.85	157.70	154.38	123.68	129.84	146.81	175.31	146.06	151.90
World Ex. US (1686)	122.08	+0.9	119.35	95.85	100.64	104.81	+1.0	2.49	120.96	118.48	94.87	99.60	103.80	146.91	115.99	137.36
World Ex. UK (1982)	137.40	+0.7	134.32	107.87	113.27	123.72	+0.7	2.42	136.47	133.60	107.02	112.36	122.83	150.58	127.21	143.44
World Ex. So. Af. (2148)	140.37	+0.6	137.23	110.21	115.71	127.28	+0.6	2.03	139.59	136.65	109.47	114.99	126.52	153.05	130.04	146.01
World Ex. Japan (1736)	160.65	-0.1	157.06	126.14	132.45	154.24	-0.1	3.17	160.80	157.41	125.10	132.40	154.36	165.40	151.93	159.25
The World Index (2208)	140.41	+0.6	137.27	110.24	115.75	127.64	+0.6	2.63	139.61	136.67	109.48	114.95	126.87	153.70	130.66	146.65

Latest prices were unavailable for this edition

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
[illegible]						

BRITISH FUNDS - Cont.

Index-Linked Notes	Price £	+ or -	1992/93 high	low	Yield (1)	(2)
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for May 1992: 139.3 and for December 1992: 139.2.

OTHER FIXED INTEREST

Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
[illegible]						

Continued on next page

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	17⅞xd	—	21¼	14⅝	15,012	2.1
Allegheny & W.	♥	453p	—	457p	226p	226.0	4.4
Amdahl		561p	+24	1158p	438p	618.8	1.1
Amer Cyanamid		36	+1⅞	38⅝	26⅝	3,245	2.9
Amer Express		14⅞xd	–⅞	16⅝	10	7,110	4.3
Amer T & T		35⅛xd	+⅛	38	20⅛	46,712	2.4
Ameritech		48½	+⅛	49	32½	21,236	4.8
BankAmerica		34¼xd	+¼	35⅛	19	11,973	[illegible]
Bankers NY		44⅛xd	–	48⅛	28⅞	3,541	4.5
Bell Atlantic		34¾	+¼	34¾	23⅛	15,043	4.7
BellSouth		35¼	+	35½	25	17,400	5.0
Bethlehem Steel	♥	12⅞xd	+⅛	12⅞	5¾	1,142	–
Bowater		1335pxd	–49	1637p	905p	463.8	5.7
CPC	h	31xd	–⅛	34	22⅝	4,695	2.4
Cadiz Land Inc	♥	116p	—	242p	108p	–	–
California Engy		1350p	—	1356p	591p	249.9	–
Chase Manhattan		19⅞xd	–	19	9⅛	3,054	3.8
Chrysler		28⅝xd	+¼	28⅝	8¼	7,723	1.4
Citicorp		17xd	–¼	17	5⅛	8,282	–
Colgate-Palm		37xd	+	43⅛	26¼	5,997	2.1
Cont'l Bank		1582p	+19	1582p	499p	1,517	2.5
Dana		31xd	+½	32	14	1,442	3.2
Data General		776p	+18	1004p	384p	214.1	–
Decora Inds.	♥	146p	—	148p	66p	–	–
Dun & Brad		38¼	–1⅛	48½	27⅝	6,993	3.7
Exxon		52½	+⅞	54½	32½	1,815	2.7
Echlin		16¼xd	+⅛	16¼	7⅜	980.0	2.6
FPL		24½xd	+⅜	24½	17	4,451	6.4
Ford Motor		30⅞xd	–⅛	31⅝	15	15,070	2.0
Gen Elect		56¼xd	+1	57	36¼	49,468	2.8
General Host	♥	640p	+5	640p	360p	–	3.5
Gillette		35¼xd	+⅛	40	23	7,749	1.3
Hasbro		20⅞	—	23½	12⅞	1,815	0.8
Honeywell	h	21¼	+⅛	22	16	2,999	2.6
Houston Inds.		31	+⅜	31	22	4,014	6.1
IBM		34½	+1	54½	29⅝	19,685	4.0
Ingersoll-Rand		22½xd	+⅜	22½	12	2,350	2.0
Lockheed		37⅞	+½	37¾	22⅜	2,283	3.6
Lowe's	h	1652p	–10	1682p	815½p	1,251	1.0
Merrill Lynch		44⅛xd	–	46⅝	24⅛	4,534	1.7
Morgan (JP)		39⅝xd	–	43	28	7,517	3.8
Morris (Philip)		49¾xd	+	52¼	37	45,417	2.2
NYNEX		55½	+¼	56⅞	39⅝	11,444	5.3
Pall		13½xd	+½	15	7	1,560	1.5
Pennzoil		35¼xd	+1¼	35	23⅛	1,433	5.4
Quaker Oats		42xd	+⅛	46⅞	28	3,698	2.8
Rockwell		18xd	–	20⅛	11½	4,153	3.1
Rep NY		31⅝xd	+	31⅝	20⅞	1,695	2.2
Sears, Roebuck		32⅜xd	+	32	19	11,178	3.9
Sthwestern Bell		47½	+⅛	49⅞	31⅝	14,233	3.9
Sun Co		19	+	19	12⅞	2,039	6.0
Tenneco		28¼xd	+	27¼	16½	3,431	3.8
Texaco		40¼xd	+	40¼	30	10,413	5.0
Time Warner	h	21¾xd	+¼	21¾	11½	8,080	0.8
Unilab	♥	450p	—	567p	320p	284.9	–
URS Intl. 1c	☆	0½p	—	1¼p	0⅛p	0.61	–
US West		25⅞	+⅛	25¼	18¾	10,593	6.2
Varity		1952p	+49	1952p	632p	690.3	–
Waste Manage		24xd	–⅜	28⅞	16	12,194	1.3
Whirlpool		3068pxd	–20	3106p	1766p	2,167	2.2
Woolworth	♥	19⅞	+⅛	23	13¾	2,548	3.6

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

[illegible]

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INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or –	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	‡□	192	+½	198	147	3.2	224.0	14.3
Warrants	□	49	—	42	21	–	–	–
Scot Mortgage	‡†□	185	—	189	135	2.8	215.2	14.0
Scot National Inc	‡□	94	–½	107	65¼	10.6	–	–
Cap	□	29	—	42	12½	–	53.5	62.6
Stepped Pf		163¼	—	155½	125	5.3	–	–
Zero Div Pf		219½	–½	212	166½	–	–	–
Warrants		4	—	9	3	–	–	–
Scot Value	†a	73	—	73	48	3.3	70.0	–4.3
Sec Alliance	‡	1405	—	1433	1065	3.5	1571.6	10.6
Second Consid.	□	95	+1	103	88	–	169.5	50.4
Second Market	‡	271	+4	271	222	0.7	319.6	15.4
Sec Tst Scot	‡□	77½	—	78	61	6.6	80.8	4.1
Select Assets		116	—	116	78½	1.4	160.8	28.2
Eq Ind Sed		132	+1	132	106	4.3	–	–
Eq Ind Sed		132	+1	132	106	4.3	–	–
SHIRESCOT	xH	116	—	119	96	6.0	113.6	–2.1
Shires	‡	247	—	249	188	9.9	236.3	–4.3
11pc Cv Ln '03/04		£120	—	£120	£95½	9.2	–	–
Stava Select		118	—	119	88	0.3	148.8	21.0
Warrants		24	—	24	10	–	–	–
Smaller Cos	□	92	—	93	65	3.8	92.1	0.7
Warrants		22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Harmony Gold C$		64	+¼	69½	£3½	395.8	2.8
Iverenia West IE	††□	33	–2	83	30	16.6	–
Kalis Minin IE	††	6	—	42	6	8.14	–
Kenmare	‡□	7¼	—	8	2¼	7.44	–
Malinga Res.		18½	—	46	8	2.04	–
Nevan Res IE	♠	25	–2	34	16	3.35	–
9pc Ln Notes		27	–2	29	25	4.01	–
Orys Gold		48	—	103	45¼	–	–
Pleiseys		35	—	13	3	1.37	–
RTZ	□	603	–5	609	469	6,049	3.9
Vizcaya	‡	2¼	—	3	1	1.47	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♠ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

FINANCIAL TIMES
Weekend January 30/January 31 1993

Tokyo turns aggressor in anti-dump action against 100 companies

Japan penalises China exports

By Robert Thomson in Tokyo

JAPAN, often the victim of anti-dumping actions, has become the aggressor for the first time. It imposed penalties yesterday on more than 100 Chinese companies for alleged predatory pricing of their exports.

Tokyo has been targeted so often in anti-dumping cases that it has led a campaign to review the regulations. As a result, it was a touch defensive yesterday in explaining the decision to impose duties, ranging from 4.5 to 27.2 per cent, on Chinese exports of ferrosilicon manganese, used in steel production.

The sense of unease was heightened by Japan's own anger this week at being on Washington's hit-list of countries whose steel producers are allegedly dumping in the US. Government officials have variously described the US decision as "unfair" and "outrageous".

Last night it was China's turn to complain. A trade ministry official in Beijing regretted the Japanese decision: "Since the Japanese government did not take into account factual materials, the relevant companies feel wronged."

The finding partly reflects changes in trading patterns. Japanese industries are now pressed by lower-cost Asian producers. A decade ago, the US and Europe were under similar pressure from Japan and resorted to anti-dumping regulations.

Japanese officials insist the dumping investigation, begun in October 1991 after a complaint from local producers of ferrosilicon manganese, was conducted honourably. The government concluded that unfair pricing led to a leap in China's share of the Japanese market from 17 per cent in 1989 to 39 per cent last year.

Mr Yoshiro Mori, minister for international trade and industry, said the decision was "fair and transparent". The government would "remain careful about abusing anti-dumping measures when pressed by protectionist industry forces".

The trade and finance ministries also investigated producers from South Africa and Norway but concluded they had not injured the Japanese industry.

About 103 Chinese companies, most of them state-owned, will be subject to the duties from next Wednesday. Two others were given a reprieve after promising to lift export prices. Japanese investigators had difficulty in determining whether the companies independently set prices, as Beijing claimed, or whether the 25 per cent fall in the Chinese price since 1989 had received central approval.

The Japanese government had previously threatened to impose dumping duties on South Korean knitwear exporters, but these companies reluctantly agreed to "voluntary restraints" on their exports before the duties were formally imposed.

Last year, Japanese cotton spinners warned they would launch a dumping action against Pakistani and Indonesian exporters. An executive at one Japanese textile company said the industry was in "a similar situation to US car makers".

Banks cut rates on savings more than mortgages

By Scheherazade Daneshkhu

MIDLAND Bank and Firstdirect, its telephone banking arm, have cut their savings rates by more than their mortgage rates following this week's 1-point base rate cut. Along with Lloyds Bank, both have also not passed on the full base-rate reduction to mortgage holders.

The savings rate cuts are the first to be be announced by leading financial institutions since Tuesday's base rate change. Building societies have not yet announced new savings rates but have said they did not pass on the full 1-point cut to mortgage holders in order to protect savers.

The new base rate is 6 per cent. Midland and Lloyds have set a mortgage rate of 7.99 per cent. This represents a drop of 0.56 of a point for Midland and of 0.61 of a point for Lloyds. Firstdirect has cut its rate by 0.54 of a point to 7.95 per cent.

"Our mortgage book was running at a loss when base rates were 15 per cent," said Mr Brendan Le Morvan of Midland. "Since then we have tried to restore the margins." Its mortgage margin has widened from 0.4 point to 1.99 points.

Midland is reducing almost all gross savings rates by 1 point, with a handful going down by 0.75 of a point and one by 1.25 points. At Lloyds, savings rates are being cut between 0.5 of a point and 1 point.

Midland and Lloyds also announced a reduction in credit card and overdraft rates. The annual percentage rate on Midland's credit cards will drop to 23.1 per cent from 25.3 per cent from March 2. From Monday, rates will fall by 1.3 to 1.4 points for overdrafts.

Editorial Comment, Page 6
Messy compromise, Weekend II

Major calls for business to seize export opportunities

By Alison Smith

MR JOHN MAJOR renewed his appeal to British business last night to seize the chance presented by the low levels of UK interest rates and inflation and make the most of export opportunities.

The 1990s would be the most competitive decade business had ever seen, the prime minister said, and industry would need to invest in technology and training to succeed.

After a week in which his success in contributing to export orders for British business in India and the Gulf had been hailed by industry, Mr Major underlined the importance of a range of export markets and the opportunities offered in the European single market.

"We need merchant venturers, not merchants of gloom," he told a Tory fund-raising dinner in Glasgow. "It is time to start selling Britain abroad, and stop selling Britain short," he said.

The UK's attractions to foreign investors were manifest, Mr Major said, citing the recent decision by Hoover to relocate from Dijon in France to Cambuslang in Scotland, creating 450 jobs.

Mr Major's remarks came against a background chorus of ministerial speeches seeking to reap the benefit of his trade mission, which was slightly overshadowed by his decision to take legal action for libel against two magazines.

He promised that government would continue to listen to industry's requests. His speech will have reinforced business hopes that the Budget will contain measures to promote investment and help exporters.

In advance of the government's forthcoming policy paper on the relationship of Scotland within the UK, Mr Major admitted that there was a widespread feeling that government was too remote and did not properly recognise Scotland's status.

While making it clear that the Union was "non-negotiable", he emphasised the scope for building on Scotland's existing political institutions.

Major's week, Page 4

John Major's announcement on Thursday of the £4bn-£5bn Saudi defence deal, including 48 Tornados, was greeted by Westland as "very good news". British officials are optimistic that other orders will now follow. But apart from Saudi Arabia, the Tornado has found no clients outside the three manufacturing countries. Jordan, Oman and Malaysia all backed out of planned Tornado purchases.

Arms sales emerge from desert mirage, Page 9
Hat trick for BAe, Page 7

Burton £163m cash call for face-lift

Continued from Page 1

acutely." Burton's shares, which have risen from 30½p since September, yesterday slipped 2½p to close at 72½p.

The proceeds are expected to enable Burton to finance a three-year refurbishment programme for its shops – including Top Shop, Dorothy Perkins and Principles.

Mr Hoerner said about two-thirds of the group's space was in need of a face-lift. More than half of the stores had not been refurbished in at least six years, he said.

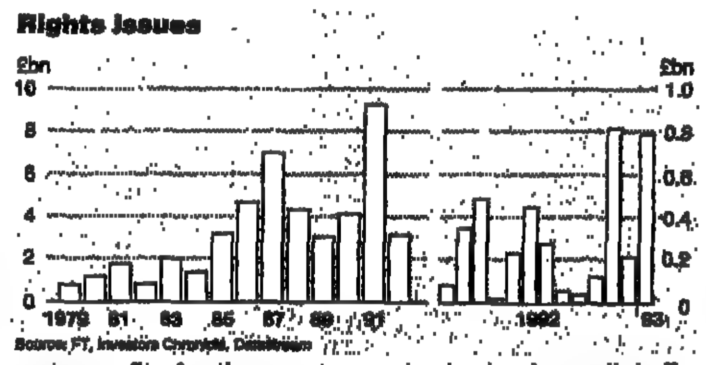
The cost of the programme would be about £130m at today's prices. Mr Richard North, finance director, said the rights issue would leave the company with a controllable debt, even after capital expenditure plans.

Analysts are forecasting that Burton will achieve about £30m pre-tax profits for the year to August 29. Debt is estimated to be £240m by the year-end.

About £150m would relate to the group's property portfolio. On those forecasts, operating cash flow is expected to be roughly neutral. Burton forecast an unchanged interim dividend of 1p.

● Members of Usdaw, the shop-workers' union, have called off a strike planned for today at branches of Burton Menswear and Top Man shops. An agreement was reached between management and the union at the High Court yesterday to hold talks next week at Acas, the arbitration service. The dispute is over job losses and bargaining rights.

Rights issues



Source: FT, Investors Chronicle, Datastream

MPs seek boost in market to save mines at risk

Continued from Page 1

The precariousness of the government's position was underlined last night when Mr Winston Churchill, Conservative MP for Davyhulme, indicated that he and his 30 colleagues on the recently-formed coal group of Tory backbenchers were looking for "a clear majority" of the threatened pits to be saved.

Mr Michael Heseltine, trade and industry secretary, would be taking "a serious personal risk" if he pitched the government's "bid" significantly lower than the committee's recommendations, Mr Churchill said.

As Labour celebrated what it described as his "humiliation", Mr Heseltine prepared the way for a climbdown by arguing the government would have been "culpable" if it had not reviewed its original decision in the light of the outcry it generated.

The government retained "an open mind", he said, describing yesterday's report as "very long, very complicated and very interesting".

A first indication of how the government might respond came in a speech from Lord Wakeham, who chairs the cabinet committee on coal. "If productivity improvement can be implemented and cost reductions achieved, there is scope for many pits to improve their performance costs significantly within three to five years," he said.

He emphasised that electricity privatisation had been planned on the basis of an eight-year transition to full competition, designed with the interest of the coal industry in mind.

Mr Robin Cook, shadow trade and industry secretary, called for his opposite number's resignation, saying: "Nobody in business would keep their job after such a monumental mistake and neither should Michael Heseltine."

Mr Neil Clarke, British Coal chairman, said the report supported the company's view that only "a radical transformation of the market would change the prospect of many of our collieries".

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)

Rises			
Porsche	465	+	15
Rheinmetall	269	+	14
Rosenthal	253	+	15.5
Falls			
Aachen Mch	705	–	17
GEHE	357	–	13
Goldschmidt	760	–	20

New York ($)

Rises			
Delta	51⅝	+	⅝
Xerox	83¾	+	1⅜
Falls			
LIN Broadcast	78¾	–	3¼
McCaw Cellular	33½	–	2⅜
Motorola	50½	–	5⅜
Pfizer	65½	–	⅝

New York prices at 12.30pm

Paris (FFrs)

Rises			
CGIP	884	+	21
Dollfus Mieg	279.8	+	11.8
Imm de France	780	+	15
Skis Rossignol	838	+	33
Falls			
Lafarge Coppee	307	–	12
Paribas	363.2	–	10.6

Tokyo (Yen)

Rises			
Asia Air	945	+	95
Daiichi Housing	245	+	45
Sea-Com	200	+	20
Showa Mining	217	+	50
TDF	279	+	27
Falls			
Kanebo	390	–	29

London (Pence)

Rises			
Barratt Devs	122	+	8
Brandon Hire	32	+	5
Brit Aerospace	253	+	18
City Site Ests	17	+	4
Debenham Tewson	72	+	7
Fairey	550	+	20
Frost	570	+	26
Holmes Merchant	30½	+	4½
Lep	9¼	+	1¼
Lucas Inds	149	+	6
Osprey Comms	16	+	4
Parkland A	91	+	9
Ransomes	32	+	4
Treatt	155	+	17
Unitech	164	+	17
Falls			
Brown Shipley	35	–	16
Ensor	10½	–	1½
Friendly Hotels	169	–	14
Goodhead	27	–	6
McKay Secs	90	–	20
PowerGen	296	–	14
Proteus Intl	448	–	22
Rank Org	698	–	29
Southern Electric	417½	–	17½

World Weather

UK Today: Cloudy over much of England and Wales with some patchy drizzle in places, although the south-east and the Midlands should be brighter. A bright start over most of Scotland and N Ireland followed by rain later.

		°C	°F			°C	°F												
				Cairo	S	16	61	Inverness	F	1	34	Milan	S	8	46	Salzburg	C	3	37
Ajaccio	C	12	54	Cape Town	S	27	81	Isle of Man	Fg	7	45	Montreal †	Sn	-13	9	S'Francisco †	S	7	45
Algiers	S	19	66	Cardiff	C	10	50	Istanbul	F	8	46	Moscow	F	-13	9	Seoul	F	0	32
Amsterdam	C	4	39	Chicago †	S	-13	9	Jersey	C	10	50	Munich	C	7	45	Singapore	F	27	81
Athens	F	14	57	Cologne	Dr	8	46	Johannesburg	T	16	61	Nairobi	R	22	72	Stockholm	S	-4	25
Bahrain	S	20	68	Copenhagen	S	-2	28	Las Palmas	S	20	68	Naples	F	12	54	Strasbourg	R	9	48
Barcelona	S	14	57	Corfu	R	12	54	Leeds	Dr	6	43	Nassau	F	24	75	Sydney	S	27	81
Beijing	S	7	45	Dallas †	R	9	48	Lisbon	C	11	52	Newcastle	C	6	43	Tangier	C	15	59
Belfast	Dr	9	48	Dublin	C	7	45	Locarno	S	8	46	New Delhi	S	21	70	Tel Aviv	F	16	61
Belgrade	F	2	36	Dubrovnik	C	10	50	London	C	10	50	New York †	C	4	39	Tenerife	S	19	66
Berlin	S	-2	28	Edinburgh	C	5	41	Los Angeles †	Fg	10	50	Nice	F	13	55	Tokyo	S	10	50
Biarritz	S	13	55	Faro	F	10	50	Luxembourg	C	7	45	Nicosia	S	15	59	Toronto †	S	-9	16
Birmingham	C	7	45	Florence	R	10	50	Madeira	C	13	55	Oporto	R	11	52	Tunis	S	16	61
Blackpool	C	7	45	Frankfurt	R	8	46	Madrid	F	7	45	Oslo	S	-9	16	Valencia	S	12	54
Bombay	F	28	82	Geneva	C	7	46	Majorca	F	15	59	Paris	C	11	52	Vancouver †	C	7	45
Bordeaux	F	7	45	Gibraltar	F	15	59	Malaga	S	15	59	Perth	S	36	97	Venice	F	8	46
Boulogne	Dr	9	48	Glasgow	C	5	47	Malta	F	16	61	Prague	S	-2	28	Vienna	Sn	-1	30
Bristol	S	10	50	Guernsey	C	11	52	Manchester	Dr	7	45	Reykjavik	R	3	37	Warsaw	S	-6	21
Brussels	C	9	48	Helsinki	S	-11	12	Melbourne	S	23	73	Rhodes	S	14	57	Washington †	C	8	46
Budapest	Sn	-1	30	Hong Kong	S	17	63	Mexico City	C	16	61	Rio d'Janeiro	F	40	104	Wellington	S	22	72
Buenos Aires	F	33	91	Innsbruck	C	5	41	Miami †	S	17	63	Rome	C	14	57	Zurich	F	9	48

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Inflated expectations

What a pity the government handled Tuesday's rate cut so badly. Lower interest rates and a cheaper currency are probably both necessary if growth is to be restored while the balance of payments remains in such large deficit. It looks increasingly as though a steeper yield curve and a lower pound are also needed to fund next year's PSBR. Only if the pound is seen to have room to appreciate will foreigners be inclined to buy gilts in any size. By springing the cut as a surprise in the middle of a gilts auction, though, the government seemed to have taken fright over the short-term course of the economy rather than to be implementing a carefully-planned strategy.

This only adds to the sense that the end result will be inflation. Indeed, the prospect of lower rates and currency depreciation have left institutional investors feeling remarkably comfortable with equities. They see little incentive to switch to gilts. No wonder a rush of rights issues emerged this week. Presumably there are more to come. That may put a brake on further equity market advance, but the government appears as stuck with its funding dilemma as ever.

Whichever way one cuts the figures, there seems no way the 1993-94 PSBR can be funded without a substantial inflow of foreign money and a much larger shift into gilts than domestic investors have hitherto been prepared to contemplate. A significantly weaker pound may be needed to produce the former. Given the perceived inflationary implications, sharply lower gilt prices may be needed to stimulate the latter. That could mean long yields closer to 10 per cent than 9.

FT-SE Index: 2807.2 (-9.7)

British Aerospace

Share price relative to the FT-A All-Share Index

Source: FT Graphite

Burton

Shareholders who stumped up 30p a share to rescue Burton in the 1991 rights issue have done pretty nicely. Those who choose to take up their rights this time will find it harder to double their money. From the company's point of view the issue is clearly sensible: gearing at the year-end will be almost halved to an acceptable 27 per cent. The management gains the flexibility it badly needs to rejuvenate its store chains – some of which have not been refurbished for 10 years. The recovery story, which the City badly wants to believe, has been put on a sounder financial footing.

Yet high commercial risks remain. There is no guarantee that the money will be spent effectively. Some chains, like Evans, are starting to test new store formats, but the results are not yet quantifiable. Others, like Burton menswear, require a total rethink. After the experiences of the 1980s, it may be an advantage that the company is not dominated by a single retailing visionary, but flair will be needed to capture the fickle fashion market. It is not yet clear that Burton has the spark.

Then there is the question of all those different chains. An internal study has concluded that the company does not have too much space. But the chains need to be rationalised and the culture changed. Perhaps the difficulty in placing shop leases is a deterrent to slimming down the group. Investors will need strong nerves. It would strengthen resolve if the management were seen to be hacking through the thicket of shops.

British Aerospace

Given near-universal scepticism, Mr Dick Evans, BAe's chief executive, deserves some credit for sticking to his prediction that the company would land an order for Tornado fighters from Saudi Arabia. Following the resuscitation of the European Fighter Aircraft project, the Saudi deal goes a long way to securing BAe's revenue line. And the joint venture in regional jets with Taiwan has plugged the main hole leaking cash. After the shock of last September's interim figures and the £1bn-worth of provisions, the company has regained an even keel.

The market has responded to the new management's sense of purpose and an increasing belief in the company's recovery. Enthusiasm may well pull the shares higher still. Yet while some big issues have been settled, improvements in profitability from now on will be steady rather than spectacular. Costs will come out of the business, but margins on the £10bn turnover will remain thin for some years.

The share rating, while not expensive, reflects the recent good news. There is also a lingering cloud over Airbus. With the market weak, more orders may be cancelled. The consortium's progress to positive cash flow has been slowed once more.

The board has delivered on its promises. While it would not do to be churlish, that success must not distract the directors from tackling the endemic inefficiencies which have dogged the company for years.

US economy

It is hard to escape the conclusion that the US economy is on the mend. Even allowing that durable goods orders are among the most volatile economic indicators, yesterday's unusually strong data looks like the genuine article. The recovery in orders was well spread throughout the economy. That was enough to propel the dollar higher. The worry is that recent labour market indicators have been ominously weak.

If the behaviour of money-market interest rates is anything to go by, the market no longer seriously believes the Federal Reserve will raise interest rates. Mr Alan Greenspan's testimony to Congress this week contained clear overtures to the Clinton administration. Higher interest rates would put that budding relationship at risk. Equally, the recent spate of strong economic figures makes another cut less likely to the markets. Such a move would, incidentally, undermine the main argument for buying the dollar: that the interest rate differential between the US and Germany is set to narrow. Yesterday's dollar rally owed much to relief that the bull case remains dominant.

An economic recovery without higher employment, though, would be a pyrrhic victory for President Clinton. A weak labour market might undermine the improvement in consumer confidence required to sustain recovery. The market may be getting ahead of itself in ruling out another cut in US rates. The Fed could still make such a gesture in return for a deal on the budget deficit and next week's employment figures could weigh heavily on the dollar.

Weekend FT

SECTION II

Weekend January 30/January 31 1993

What a laugh! Now anarchy is respectable

*Comedy has replaced pop music as the stairway to the stars for the young and talented. **Antony Thorncroft** reports on radical changes in a cut-throat world*

IT WAS a rough Friday night Up the Creek and the comedians were taking casualties. One young man, covering his whimsy inadequately with a guitar, first reduced the audience to silence; then set it talking among itself; and, finally, brought out the hecklers. Realising his cause was hopeless, he quit the stage suddenly.

"Where's he gone?" said Malcolm Hardee, the bemused compère and owner of the comedy club in Greenwich, south-east London. "He was crap, wasn't he?" A few minutes later in the pub next door, Hardee, a veteran of the comedy circuit, was buying the young man a drink, building him up and sketching out his career.

In the cut-throat world of "alternative" comedy, there is no room for faint hearts, sensitive nerves or delusions of grandeur. But there are plenty of opportunities for making a great deal of money, very quickly. Comedy has replaced pop music as the stairway to the stars for the young and the talented.

It is very different comedy from the quick-fire gags of the old music hall comedians, or northern comics. It is even further removed from the satire of the first wave of graduate comedians. The performers rely more on charm than vicious wit. In some clubs, you can pass a whole evening without hearing one joke.

Instead, the comedians talk about the most intimate aspects of their lives, expecting to strike chords with their audience. It is the humour of group therapy, of shared embarrassment. A male comedian can build an entire act around the ritual of undressing in front of a new girl friend; a female comedian on how chocolates provide real joy while sex is just a wet patch in the bed.

Take Harry Hill, who is halfway up the ladder. Hill trained as a doctor and remains one when times get desperate. But, as a medical student, he found that appearing in the end-of-year show was the best part of the course. So, after qualifying, he mixed working in a hospital with working the clubs. "It was easy: you could just turn up at an open spot and perform." Most comedy clubs have open spots on certain nights where you get five minutes to do your stuff. If you are any good, you are spotted by the club manager or other comedians, invited back – and paid.

Hill covered the country gaining experience, receiving the typical fee of £30 for a 20-minute spot. Often, the deal would be a percentage of the box office take (which, invariably, was nothing) or a free meal. often, he was booed off. His mixture of mild jokes ("I was walking home last night and a man said 'Give me your wallet.' I blame all these self-assertiveness classes") and surreal word play delivered in a bemused, confiding style, rather like the late Harry Worth, makes the audience work.

Hill was doing all the right things, though. He was writing lots of new material; he was earning an extra £100 a week by sending jokes to the Radio 4 programme *Week Ending*; and he was preparing his act for the Edinburgh festival fringe, the annual showcase for new comedy where TV and radio producers who cannot bother to trawl the London clubs look for talent. Hill lost £1,000 appearing at the 1991 fringe but he was voted the most promising newcomer last August by the Perrier pick-of-the-fringe judges.

Suddenly, his career moved up two notches. Now, club bookers ring him. He can make a £100 or more for an appearance, and, if he had the energy, like the music hall stars of old, he could dash around London doing three gigs a night. Hill has appeared on television and this month he is recording a pilot for Radio 4. He reckons he is earning as much as when he was a full-time doctor. He also has Avalon, the leading management company riding the comedy boom, to plot the development of his career.

In the three years that Hill has been in the business, it has changed out of all recognition. Take the experience of Jack Dee. He is a contemporary of Hill who worked in a restaurant by day and the clubs at night. In 1991, he caught the eye of the Perrier judges, and the television producers, with his cool, staccato delivery and made the break quickly from the club circuit to the national stage. He has his own TV show and, by touring the land, can earn more than £6,000 a night filling 2,000-seat theatres. There is the Jack Dee video, the Jack Dee spots on North American television, the Jack Dee beer commercials. All that remains is the Jack Dee movie.

What has transformed the comedy world has been the voracious appetite of radio and television, stimulated in the past year by the new commercial television contractors. There had always been a tradition of bright young graduates becoming comedy stars – a tradition linking the *Beyond the Fringe* quartet with the Monty Python team, with Rowan Atkinson and *Not the Nine O'Clock News*. Then came Dawn French and Jennifer Saunders, Ben Elton, and Rik Mayall, who got their start in the comedy clubs which first appeared in the UK around 1980. But this graduate flow was always the anarchic alternative to mainstream comedy: now, it *is* mainstream comedy.

The heads of light entertainment at the BBC and the commercial television stations woke up suddenly to the fact that the day of the traditional comics – who tended to be northerners such as Ken Dodd, Russ Abbott and Cannon and Ball – was over. For decades, the prime-time weekend TV spots were hogged by variety shows and old-style funnymen. Overnight, the audience was no longer laughing, leaving the way open to the "alternatives." The turnaround is remarkable. Switch on Radio 4 early evening and late at night and you are likely to hear one of the new breed, Nick Revell perhaps or Richard Herring. Radio 5 commissions comedy. Even Radio 1 has a comedy spot, with club stand-ups Mark Thomas and Kevin Day.

It was Radio 1 which first transmitted *The Mary Whitehouse Experience*, the work of four young writer-performers, Baddiel and Newman and Punt and Dennis, who previously had contributed jokes to *Week Ending*. The show moved to television and became a youth cult. Now, the two duos tour the country like old-fashioned rock acts, playing student unions and filling the 3,500-seat Hammersmith Apollo in London for four nights – at a fee of around £10,000 a night. And, unlike the rock acts with their expensive "roadies" and lighting crews, the comedians travel light and are more reliable. Richard Alan Turner of Avalon, who manages Baddiel and Newman, is now talking with Columbia Pictures in Hollywood about a $5m movie for the pair.

Jonathan James-Moore, head of BBC Radio light entertainment, has watched the changes at first hand. "We were interested in the new wave of comedians from the start. I went down to the Comedy Store [London's oldest comedy club] when it first opened in 1979 and recorded four hours of material. We edited it down to 15 minutes and it was still too crude for the powers-that-be."

Since then, attitudes have changed on both sides. The comedians have become less aggressive while the BBC has become bolder. For James-Moore, the greatest changes in the past few years have been in the style of comedy and in the voracious appetite of television. Today's comedians develop story lines rather than simply firing off a succession of jokes. As for television, it has an insatiable appetite for comedians. James-Moore notes: "The companies lurch above us like vultures picking our vital organs."

Not all comedians are tempted by television. Hill's ambition is to have his own show, but he is suspicious of making one-off appearances. "You might get £700 for a five-minute spot but you use up all your best material." A successful female comedian, Jo Brand, once heard her club audience repeat the punch-lines of some of the material she had used on TV the previous night.

Other club comedians make a virtue of refusing to appear on television (or perhaps they are not asked). They are the remnants of the days when the circuit was political – when you got an easy laugh by comparing the former prime minister, Margaret Thatcher, unfavourably with King Herod. These days, few political comedians remain: they have lost heart. Paul Blackman, of Battersea Arts Centre in south London, thinks audiences and performers are more at ease with themselves. "They are comfortable with being anti-sexist and anti-racist and anything goes. You can tell mother-in-law jokes again and get away with it."

Already, though, old-timers are complaining that success has ruined comedy. Audiences come to see their TV heroes and are tamer. Heckling is rare. Some clubs are programming novelty acts, magicians and fire-eaters and moving towards an old-fashioned vaudeville bill. Few these days will give an open spot to a new face without an audition.

Management is taking over. Companies such as Avalon, which has increased its turnover from £100,000 to more than £2m in four years, looks for comedians with writing potential who can develop from creating one-liners to writing plays and TV sit-coms. This path was pioneered by Elton and has been travelled by Sean Hughes and Arthur Smith (whose West End hit, *An Evening with Gary Lineker*, is being adapted to fit Australian football). Avalon makes sure that its artists do not blow a club routine, which has kept them living comfortably for three years, for the glory of a six-week TV series. It knows that the big financial rewards lie in corporate entertainment, voice-overs, and videos.

Avalon's main management rival, Off the Kerb, run by Addison Cresswell, still backs the stand-ups. He describes the primrose path. "It's the club circuit; Edinburgh; a first TV series. Then comes the difficult one, the second series. You call in writers and you are lost to the world of sit-com." Some of his sta-

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Paris is still capital of haute couture and home of the £6,000 Ricci dress (above) .... Page XIII

The Long View/Barry Riley

French without fears

IT IS HIGH time to restructure your economic model or, better, to throw it away. If you feed in the current economic data for the British economy your screen is liable to flash up the message "does not compute".

Judging by the foreign trade data Britain must be booming, with the monthly current account deficit for December jumping to £1.54bn and imports 7½ per cent higher than a year earlier. We also know that industrial production is down and unemployment is shooting up. Meanwhile it looks as though the narrow version of the money supply, M0, is bursting through the 4 per cent ceiling of its official target growth range, while in complete contrast the broad version, M4, is slowing down to a degree – growth of just 3.7 per cent year-on-year – which is beginning to alarm monetarists.

This week the traditional signs of British economic mismanagement were strongly in evidence. A hasty and ill-prepared one-point cut in short-term interest rates was ordered on Tuesday, but on Wednesday the £2.5bn auction of 14-year gilt-edged almost flopped, which is especially disturbing given that it is only the first of many such sales which the Bank of England will have to organise this year.

Meanwhile share prices jumped for joy at the hints of further devaluation and inflation to come, although rights issues from struggling retailers have brought a reminder that in buoyant markets unselective demand tends to encourage low quality supply.

With excellent timing, brokers Barclays de Zoete Wedd produced on Tuesday the latest edition of their *Equity & Gilt Study*, the one which annually spells out just how much of a swindle gilts have proved to be over the years. During the entire 74 years of the study gilts have returned just 1.2 per cent pre-tax a year on average after inflation, which means that a taxpayer would almost certainly have suffered a real loss. In contrast, equities have returned an inflation-adjusted 7.3 per cent (income plus capital growth).

The defrauding of gilt-edged investors has varied considerable in its intensity, however. The worst period was in the 30 years or so after the war, during which a gilt-edged portfolio lost three-quarters of its real value even with gross income reinvested. But recently things have got much better. Over the past ten years, with the Thatcher government getting a grip on the economy and then with John Major taking the UK into the European exchange rate mechanism, real returns on gilts have averaged a very acceptable 6 per cent a year. Honest money was being restored. Indeed, in 1992, despite our exit from the ERM, the gross return on gilt-edged was 17 per cent while inflation was only 4 per cent.

But the reversal of policy now appears to be almost complete. Remember that a year ago short-term interest rates were at 10½ per cent and the overwhelming policy objective was the reduction of inflation. Now, interest rates are at 6 per cent and could easily be below 5 per cent soon. That is one reason why the money supply numbers are going haywire. But the government is being panicked by the unemployment figures. If the price of an economic recovery is another dive in the sterling exchange rate, the government now seems unlikely to resist it, and will simply ignore any "temporary" overshooting of its 4 per cent tolerance limit for underlying inflation: the falls in mortgage rates will, of course, ensure that the *headline* rate for inflation will remain very low, at least until the early part of 1994.

By a curious coincidence the German inflation rate hit 4.4 per cent this week. But you can be sure that the Bundesbank will not relax its struggle, whereas the Bank of England has to do the bidding of its masters at the Treasury. I am surprised by just how cynical institutional investors in the City of London have become about the prospects of being given a fair deal in gilts as the government cranks up its huge borrowing spree.

Certainly, given the choice between ten-year gilts yielding 8.1 per cent and French government bonds yielding 7.9 per cent it is easy to see why a lot of British institutions prefer the Parisian paper. British pension funds now have more money – twice as much, the latest figures suggest – in foreign bonds than in gilts, and if these attitudes persist a funding crunch could be closer than I have supposed.

In this context, a fascinating chapter of the BZW study is highly relevant. Using an optimisation model the brokers suggest that on the basis of the historical data a rational UK investor would not hold *any* gilts in a long-term portfolio; he should either hold 100 per cent in equities, or a proportion of short-term deposits if he wishes to reduce the volatility. The implication is that in the past gilts have not yielded a big enough margin over cash to reward the extra risk. Indeed, until four months ago long gilts were yielding *less* than money market deposits.

In opening an increasing gap between short-term and long-term rates Norman Lamont is beginning to address this problem. But he is also, of course, sending out strong hints to the foreign exchange market that he is prepared to allow sterling to slide.

What about the other method of steepening the yield curve, by pushing up the yields on long gilts from 9 to 10 or 11 per cent? Such were the hair-raising tactics used in the 1970s. But in those days British institutions were a captive market because they could not invest overseas. Nowadays their response to official desperation is likely to be an increasing determination to seek refuge in better currencies.

As for the government, the economic computers may be on the blink and the way ahead is obscure. But we have the historical statistics that tell us how administrations like this one behave.

Markets

Dealers cut up rough as rates fall

by Maggie Urry

HOWEVER welcome to mortgagees, this week's cut in base rates, from 7 to 6 per cent, smacks of panic at the top.

The cut certainly took the equity market by surprise. There was an expectation that interest rates would be reduced in the March budget and not before. The FT-SE 100 index jumped 63.8 points on Tuesday when the cut was announced, though much of that gain was lost over the rest of the week.

Indeed, since the highs of the beginning of the year, the market had weakened as hopes of a cut had been deferred.

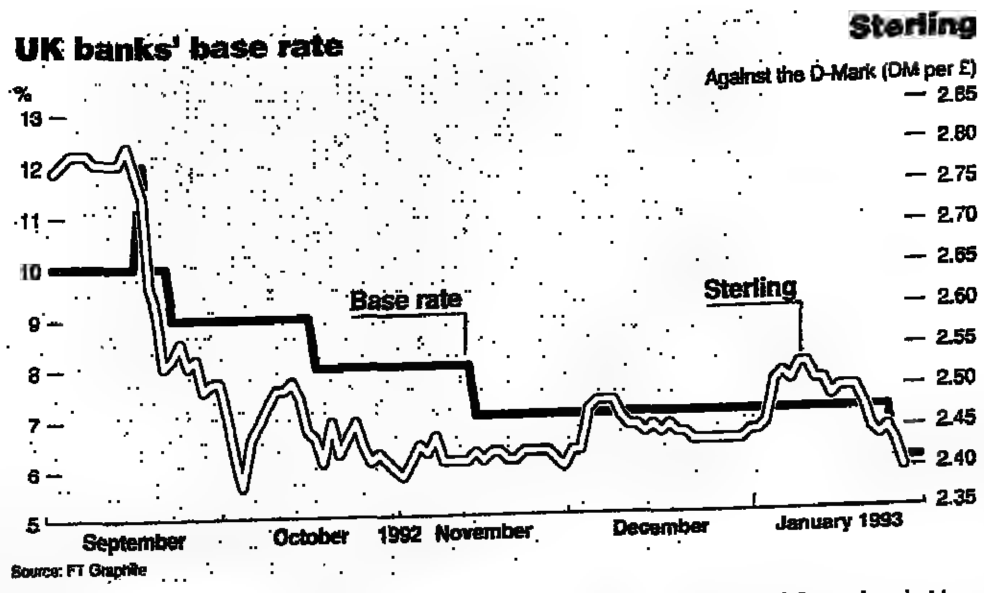
The cut was also clearly unexpected in the gilt-edged market. The timing caused some annoyance to operators there who had been happily preparing for Wednesday's £2.5bn auction of stock by taking short positions. Perhaps it was a fit of the sulks from the gilt dealers that left the auction barely covered.

Such is the self-importance of the stock market that it assumed the inconvenience to them of the timing showed ineptness, and added to rumours that the Bank of England was hardly consulted before the decision was taken.

Tuesday's move also appeared to take little account of what might happen to the pound. Sterling held steady for a bit after the rate cut, but then dipped again. As an aside, when interest rates were last this low 15 years ago, a pound could buy four D-marks.

It all adds up to a feeling that there has been a shift in emphasis by the government, away from controlling inflation towards getting the economy moving at all costs. The previous week's unemployment figures, showing an acceleration in the monthly increase, and the probability that the next month's figure will take the jobless total to more than 3m, may have been the final straw for the government.

Once one cut is made, the market starts looking for the next, and there are now many who expect a fall to 5 per cent.



Source: FT Graphite

perhaps at budget time. At the same time the Government's backbenchers are pushing for an easy budget in March, on the grounds that any green shoots must be protected, unlike the crocuses now daringly pushing upwards and risking the frost.

Any over-generosity in March, the theory goes, can be reversed, if need be, in December when the second budget of the year is coming. Where that leaves the budget deficit meanwhile is a question proponents of this argument prefer to ignore.

The market is divided between those who think that recovery is imminent – and that if anything the risk is that the government's efforts could be overstoking the fire – and others who believe it takes much longer for lower rates to work through to improved confidence, both consumer and corporate.

Both sides point to the US economy. One view is that low interest rates have worked there and the economy is picking up. The other is that US rates have been much lower for much longer than UK rates and it takes a long time for cheap money to have the desired effect.

Either way, all economic statistics and company news over the next few weeks will be closely studied. No doubt many official figures and chairmen's statements will give contradictory indications.

This week's trade figures looked awful, the worst since June 1990. But they can be explained by saying that devaluation just makes imports look bigger, and the benefit of a lower pound has not come through to exporters yet. The good old J curve, the dismal scientists' standby when things that ought to be getting better actually get worse, was called in as an explanation.

Similarly, Lord Hanson's remarks at his company's annual meeting on Tuesday could be taken to support either view. He said he could see signs of recovery, but they would take a long time to feed through to profits because of the amount of stock in the pipeline.

It is the speed of the recovery in corporate earnings that will decide the progress of the equity market, since the market is already on a high multiple. Here too there is a wide divergence of views, with forecasts for earnings growth covering an unusually wide range.

At least there are some companies which believe they are on the recovery path. Asda and Burton this week called for new capital from shareholders, Asda taking £347m and Burton £163m. Both said that the money would be used to revamp and revitalise their store chains. Indeed the two companies' statements were so similar that Asda, which came first, might almost have a breach of copyright claim against Burton.

These, Wessex Water's £144.5m fund-raising this week, plus a number of smaller issues, are expected to be the start of a flood of rights. Asda said it chose the date to get in first, though it does not actually need the cash right now.

Institutions, which can see £50bn of gilt issues heading their way, are likely to be fairly choosy about which companies they will support with new capital. Both Asda and Burton had what amounted to rescue issues in 1991 – a year when rights issues totalled around £11bn. Perhaps this year's list will repeat many other names from 1991.

This week's total of equity fund raising topped £700m, and if that is only the start, much of the institutions' cashflow must already be spoken for.

In fact, with interest rates this low, companies could find debt capital cheaper than equity. But like consumers with big mortgage and credit card debt, the preference may be to repay debt before going out on a shopping spree again.

Even so, Wessex Water wanted the money for the purchase of £113m of NFC's waste division. Hopes for a revival in takeover activity may be premature, though. Two hours after the base rate cut, Lord Hanson told shareholders that not many bargains were around.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992/93 High	1992/93 Low	
FT-SE 100 Index	2807.2	+26.0	2861.5	2281.0	Base rates cut to 6pc
FT-SE Mid 250 Index	2954.8	+45.8	2964.5	2167.8	Underlying confidence
BP	245½	−14½	304	182	Firm oil prices
BT	407	+25	418½	305	Hoare Govett "buy" recommendation
Berkeley	351	+28	355	186	Soros fund buys 3.19pc stake
British Aerospace	253	−38	379	100	Saudi defence contract
Hanson	250½	−12	251	164½	Buying for yield
Kleinwort Benson	348	−31	350	212	Surge in market activity
Lasmo	165	+14	263	112	Firm oil/new chief executive
Midlands Radio	131	−19	131	70	Bid from Capital Radio
Reuters	*1394*	*+84*	*1438*	*982*	*Launch of new service*
Rolls-Royce	126½	+10½	176	89	US air order
Royal Insurance	267	-22	294	118	Broker downgrade/rights fear
Smith (WH) A	416	-37	523	357	Poor results
Volex	444	+29	460	260	£17.5m rights well received

Serious Money

Societies head for messy compromise

By Philip Coggan, Personal Finance Editor

THE BASE rate cut this week might have marked a turning point. Savers, rather like the cast of the film *Network*, are starting to yell: "I'm mad as hell and I'm not going to take it any more."

Building societies, which welcomed all previous cuts with enthusiasm, were distinctly lukewarm about the fall to 6 per cent. Their concern is understandable. In five of the 12 months of 1992, they had suffered an outflow of savers' funds. More cuts will only worsen the trend.

Of course, part of the rationale behind the base rate cut is to encourage people to stop saving and start spending their money on consumer goods, thereby reviving the economy. That is all very well for those in employment.

But it is not an option for those (mostly retired) people who are living off their savings. Since 1990, base rates have fallen from 15 to 6 per cent; for many savers, this will have meant a cut in income of 60 per cent. To make matters worse, although the rate of inflation has been falling, prices have continued to rise.

What can societies do? They are entitled to a certain amount of sympathy. The housing market is depressed and the bad debt problem remains horrendous. If they fail to turn base rate cuts into lower mortgage rates, they will attract the outrage of home-owners and the press.

It looks as if the societies are attempting a messy compromise. Mortgage rates have come down by around half a percentage point, to 7.99 per cent, with suspicious unanimity in a supposedly competitive market. Savings rates details will emerge only next week (which means our Highest Rates table on page IV is particularly subject to change). The societies will protect their biggest savers - perhaps with only a half-point cut. But if you have a small sum on instant access, you might find the return is now very low indeed.

The chances are that this compromise will satisfy neither savers nor borrowers. Criticism may well focus on one particular point – why do societies make a profit? They are mutual societies, after all, supposedly run for their members' benefit. Surely, in such straitened times, they should let their profits take the strain by squeezing their margins?

The flaw in this argument is that the societies' desire for profit has in part been fuelled by the regulators. They have been quick to deliver any small society which dips into loss into the hands of one of the top 10. Even if the Treasury and

'The chances are this will satisfy neither savers nor borrowers'

the Building Society Commission made it clear that profits were no longer the be-all and end-all, that might not help. The money markets would react adversely to poor profit figures from a society – and force up the cost of its borrowings. Even worse, depositors might take fright and withdraw their savings.

So, what is the consumer to do? Borrowers should consider that mortgage rates may well have fallen as far as they are likely to go; the next base rate cut might see mortgage rates drop only a quarter of a percentage point. That makes the argument for fixing rates at present levels compelling (although you should watch out for onerous conditions).

Savers are faced with some difficult choices. They will need to keep on their toes and not allow their money to rot in an uncompetitive account. Tax efficiency is vital. Do both spouses use their full personal allowances, for example?

Some people reject Tessas because they think that they lock up their money for five years. But, provided the scheme has no penalties, all that happens if you withdraw money early is that you pay tax; if you leave your money in a society, you will do that, anyway. What is more, most Tessas pay higher rates than other savings accounts.

Realism also is needed, according to David Harris, of Chantrey Vellacott; savers simply cannot expect the returns they got 12 or 18 months ago. So, beware of plans that offer a very high income, as they probably involve a significant risk to capital. A rule of thumb is to look at yields on long-dated gilts which are now between 8.5 and 9 per cent. Any product yielding above that level must involve risk.

Gilts are worth considering, but care is needed. Many are trading above face value; thus, you are locking in a long-term capital loss. You can also make a loss in the short term if gilt prices fall. The best way of buying gilts, therefore, is to think only of the yield and hold the bonds till maturity.

Harris says bond funds may now be better than holding gilts directly. There are low-charging funds, such as Abtrust Gilt Income, which has no initial charge and yields 9 per cent; or the Murray Global, which has an initial charge of only 1 per cent and yields 7.4 per cent (although this has an element of currency risk).

Finally, equities. As I argued last week, this is not the time to stake your all in shares. But as the BZW study shows (see page IV), they are the best long-run investment. Yields of 4.4 per cent are comparable with returns on instant access accounts. A regular savings plan is a good way to get the best out of shares while reducing the risk of plunging in at the top of the market.

Wall Street

Investors develop a taste for revolution

WHILE corporate heads were rolling almost everywhere this week (often to the accompaniment of shareholder applause), the chairman of American Express earned an unexpected reprieve, and the company's stock paid the price.

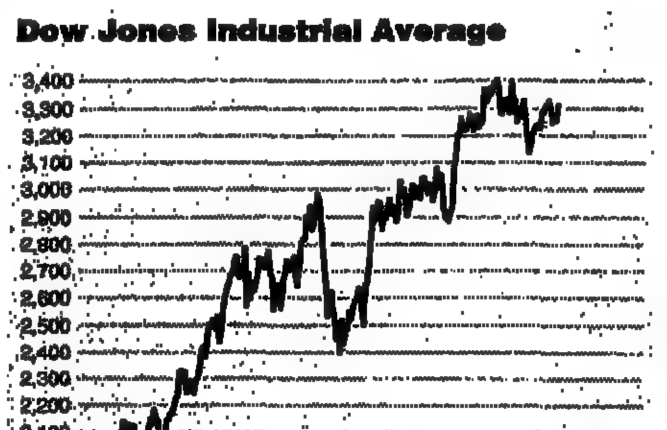
In an extraordinary counter-coup, Amex's long-time, and much criticised, chairman, James Robinson, won a battle against dissident board members and not only retained his position at the helm of the company, but also assumed new managerial powers over Amex's troubled brokerage subsidiary, Shearson Lehman Brothers.

The news disappointed Wall Street. Disappointment, in fact, is too pale a word to describe the market's reaction – despair would be better. One fund manager told the *Wall Street Journal*: "When you see politics win out over shareholders, once again it makes you think that Mr Robinson is unique in his disregard for shareholders and control over the company."

Another member of the investment community was even more trenchant: "Arrogance and self-absorption won out over the interests of shareholders... Mr Robinson is a big negative. Whatever the p/e ratio is, it's less with Jim Robinson in the company. Period."

Investors were equally uncompromising with Amex, selling the stock in large numbers. After news of Robinson's victory broke, Amex shares dropped 13 per cent to $22⅝ in three days. The selling reflected several sentiments: unhappiness with the outcome of the board battle; disappointment at the failure of Amex to find a chairman from outside the company; dissatisfaction with the fourth-quarter and full-year 1992 results, which were well down on the previous year; and a lack of confidence in Robinson's ability to tackle Amex's deep-rooted problems, especially those at Shearson Lehman.

While Amex's chairman was granting himself a last minute reprieve, two other chairmen of big US corporations were forced to walk the plank – John Akers at International Business Machines, and Paul Lego at Westinghouse Electric.



Source: Datastream

Although the latter insisted that boardroom pressure had not forced him to resign, Lego is leaving after only two and a half years at the helm of Westinghouse. His departure also comes on the heels of heavy criticism of the company's management by shareholder activists and industry analysts, all of which suggests that Lego may have jumped before he was pushed.

As one big Westinghouse investor put it: "I don't think Lego would have done it without firm nudging from the board." The news of Lego's departure was generally received positively by the stock market, which bid Westinghouse shares up $¼ to $14 on the day he stepped down.

At IBM, the situation was much clearer. Having insisted recently that he would remain as chairman for several more years, Akers' sudden resignation on Tuesday, and the demotion/early retirement of two of his key lieutenants, made it clear that the patience of board members and shareholders had finally run out.

Last week's announcement of a record $4.97bn loss for 1992, which forced IBM to slash its quarterly dividend for the first time in its history, must have been the final straw. Again, the market welcomed the management reforms, with heavy demand lifting IBM shares up from below $48 to $51¼ by the week's end.

The rise in IBM shares, however, cannot be solely attributed to the changes at the top of the company. The stock also benefited from the decision by some investors this week to switch out of overheated small-company stocks and into bigger cyclical industrials.

This switching may prove to be only a temporary phenomenon, but it was a welcome development nonetheless for the beleaguered components of the Dow Jones Industrial Average. For the first time in weeks, the Dow put in a stronger performance than over-the-counter stock indices.

The turnaround was partly the result of a natural correction in the market – investors took profits on their OTC holdings and moved some of that money back into industrials – and partly a response to the news that economic growth at the end of last year was surprisingly strong.

The Commerce department announced on Thursday that gross domestic product grew at an annual rate of 3.8 per cent in the final quarter of 1992, the healthiest growth in four years. *The GDP report* indicated that the economy has decisively broken free from the 1990-1991 recession, and it immediately encouraged investors to take a fresh look at cyclical stocks like IBM, General Electric and International Paper, which tend to move in line with the ups and downs of the economy.

Patrick Harverson

Monday	3292.20 +	35.39
Tuesday	3298.95 +	6.75
Wednesday	3291.39 −	7.56
Thursday	3306.25 +	14.86
Friday		

The Bottom Line

Hope for small companies?

IT MUST be that time of year again. Followers of small companies are beginning to mutter *about recovery - much as they* did at the beginning of last year. This time, however, there may be better grounds for optimism. Trading volumes at the lowest end of the market have been noticeably higher in December and January. This contrasts with 1991 when prices shot up but volume was absent.

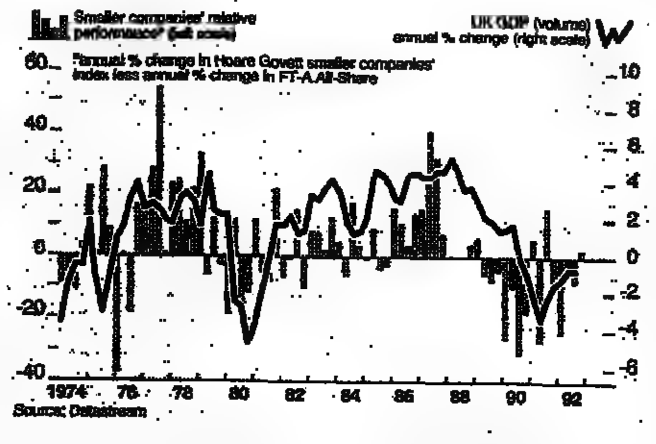
"We have noticed the buzz," says John Houlihan, of the small companies team at Hoare Govett. "Lots of people who haven't said 'good morning' for three years are now coming over to my desk!" There is also evidence that the rate of collapse of small companies – as measured by the Hoare Govett Small Companies (HGSC) index – appears to have peaked. Just *43 companies* became valueless over the course of the year against a record 50 in 1991.

Professors Elroy Dimson and Paul Marsh, who prepare the index, suggest that "surviving small companies are a stronger breed. They are now better able to survive the recession."

Yet, the biggest reason for optimism must be the recent cut in interest rates. The government's decision to quit the exchange rate mechanism offered the one real boost to the depressed small companies' sector last year.

"The difference between last year and this year is that this time we know growth is going to happen," says Richard Hickinbotham, small companies' analyst at S.G. Warburg. "If there is not enough evidence to sustain that view, then rates will go lower."

As rates decline, investors *will be tempted increasingly* away from saving and into the equity market. Houlihan maintains that the small company sector is sitting on the brink of a recovery. "If only a small proportion of funds on deposit even attempts to go to small companies, you have a quantum change," he says. Such change would be welcome to the sector, which has had an unprecedented fourth year of underperformance compared with the FTA All Share.



Source: Datastream

The statistics for 1992 make gloomy reading: earnings have declined and dividends fallen for the third successive year in real terms. Small companies offered a capital gain of just 3.9 per cent and a total return, including reinvested dividends, of only 8.5 per cent. This compares with 14.8 and 20.5 per cent respectively for the FT-A All Share. The real performers last year seem to have been medium-sized companies.

Despite the bad news, Dimson and Marsh have found some cause for celebration. Small company investment trusts outperformed the HGSC *as a whole, with* a return of 15 per cent. Yet, even this is subject to a caveat: investment trusts tend to be weighted more heavily in the top end of the small company sector – ie, the medium-sized stocks.

The long-term outperformance of smaller companies continues. Just £1 invested in the HGSC in 1955 would have returned £556 today – including the reinvestment of dividends – against £151 for the All Share.

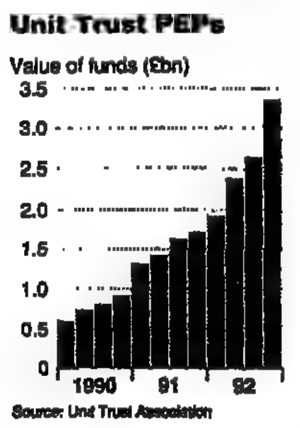
Since 1955, Dimson and Marsh argue, the total return on the HGSC has been more than 18 per cent – a 4 per cent premium relative to the All Share. Dividend growth over 38 years continues to progress at a higher rate than on the All Share. But the number of investors *prepared to stick it* out for 38 years are few. Recovery for small stocks may be overdue, but enthusiasm should be tempered with realism.

Smaller companies are likely to depend more on the UK economy than their larger colleagues. So, any market recovery must be tied to an upturn in the economy. The chart above shows how closely the relative performance of the HGSC follows swings in gross domestic product. On a five-year pattern, say Dimson and Marsh, annualised rates of return from the HGSC are likely to lag behind the All Share for several years.

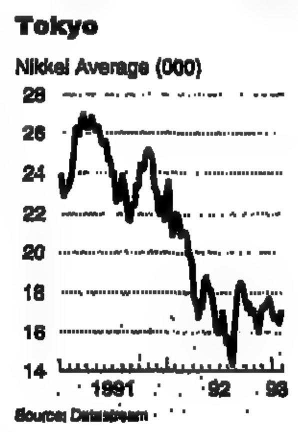
Such warnings aside, the bulls remain insistent on an *18-month* view. "The sector has taken costs out and is highly operationally geared," says Hickinbotham. Hoare Govett agrees: "Investors are likely to be pleasantly surprised by the recovery in earnings in 1993 and 1994."

Peggy Hollinger

AT A GLANCE



Source: Unit Trust Association



Source: Datastream

Trusts reach record levels

The value of funds under management in the unit trust industry and in unit trust Peps, have both reached record levels. In the case of the industry as a whole, it was strong stock markets which pushed the total to £63.88bn; there were actually net redemptions in December. Unit trust Peps have benefited from last year's Budget change which allowed the full £6,000 allowance to be placed in trusts. In the fourth quarter of 1992, investors put an extra £340m in such Peps, and made redemptions of only £52m.

Nikkei passes 17,000

The Nikkei average rose above 17,000 for the first time this year as investors speculated about a possible cut in interest rates. The market rose 553 points to 17,063 on Thursday and ended the week at 17,023. Even after the rally, however, the index is less than half the record level it reached in late 1989.

Fixed-rate Tessas

TWO building societies are offering fixed-rate Tessas. Britannia's new Tessa guarantees 8 per cent gross. However, £8,300 is required in a feeder account, which also pays a fixed but taxable 8 per cent gross. The maximum will be transferred into the Tessa each year. Britannia will not allow transfers into the fixed-rate Tessa from existing Tessa-holders.

National & Provincial building society's guaranteed Tessa will pay 7.5 per cent gross but allows a minimum investment of £100. Those who can afford £8,400 up front can put this in a feeder account, also fixed at 7.5 per cent gross for annual transfers.

Abbey National has replaced its Tessa with a second edition, paying tiered rates of interest. If your total capital was for the maximum – £6,600 – you will see no difference in the 7.5 per cent being paid on this tier. Those with with balances of up to £3,000 will only get 7.1 per cent. Interest on £3,000-£4,799 is 7.3 per cent and from £4,800-£6,599, 7.4 per cent. The first edition has been withdrawn but existing Abbey Tessa-holders do not have to switch.

Booklet on wills updated

Help the Aged has updated its booklet "Your Guide to Making or Changing Your Will" and has added a document enabling people to keep a record of personal assets. The free booklet can be obtained from: Legacy Department, Help the Aged, St James's Walk, London EC1R 0BE.

Micropal performance awards

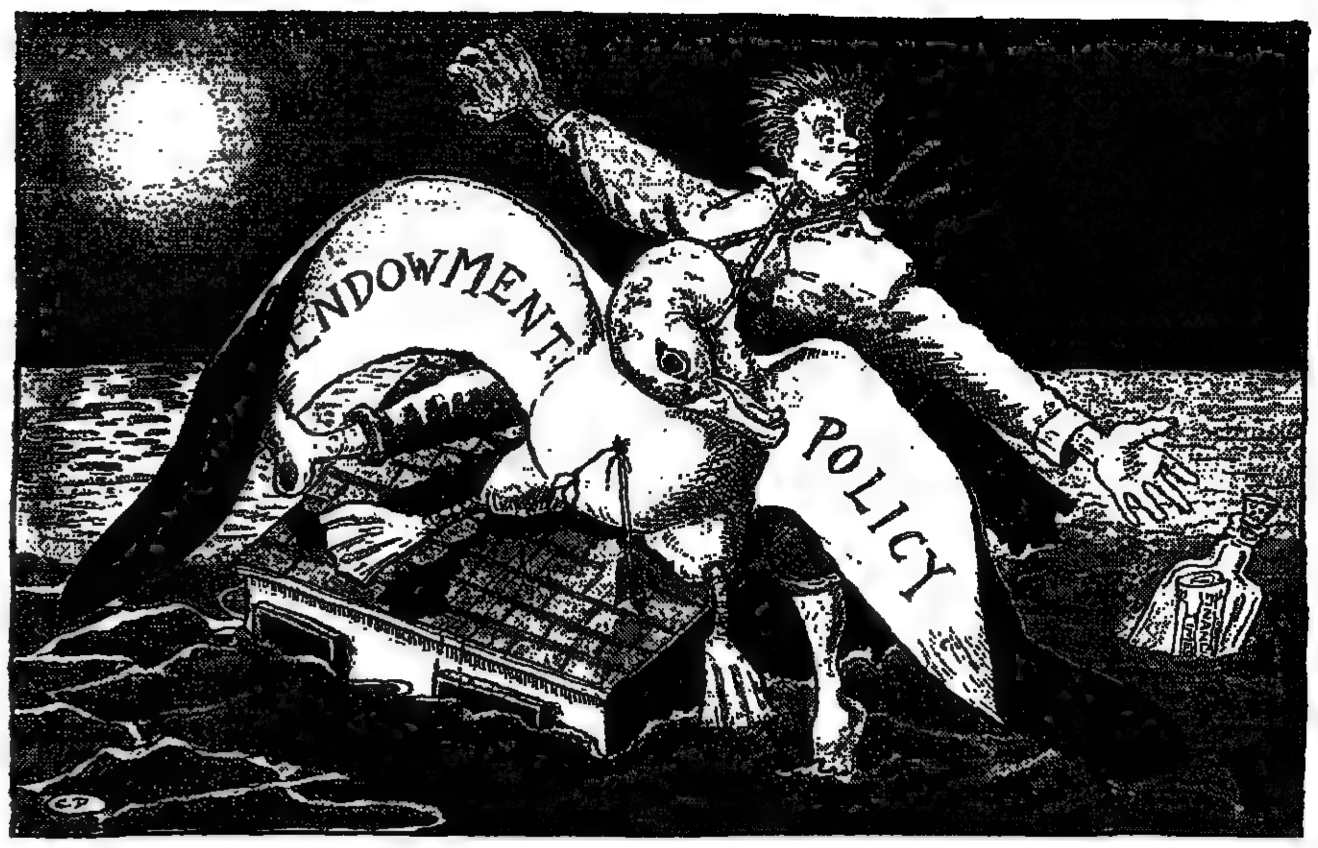
Micropal unveiled its investment performance awards this week. Perpetual was awarded the title of best investment group; best life insurance fund manager was won by Pearl Assurance; best individual pension fund manager by Irish Life; and best investment trust manager by Foreign & Colonial.

Good week for smaller companies

It was another good week for smaller company shares (see Bottom Line). The Hoare Govett Smaller Companies index (capital gains version) rose 2.7 per cent from 1263.48 to 1297.74 over the week to January 28, while the County index rose 2.8 per cent from 985.11 to 1012.93.

Endowment threat to mortgage repayments

***John Authers** asks if policies will fail to cover loan obligations*



THOSE who bought an endowment policy between 1987 and 1989 may find their golden goose turns out to be an albatross. Most mortgages purchased during those housing boom years were backed by an endowment. At the time, many were eager to get into the housing market and did not stop to bother too much about the policy which the lender added on top.

As the figures on prices and repossessions show, many also borrowed more than they could afford and bought houses which lost value. Now, a new element of misery could be added – the low-cost endowments taken out to repay the loans may fail to do so.

Endowments come with a guaranteed "sum assured", but this is not for the size of the loan; an endowment which guaranteed this would be expensive. Instead, it is fixed at a level lower than the total of premiums paid in. The policy needs a certain investment return to pay off the mortgage.

This method is cheaper; hence, such endowments are known as "low-cost." But the endowment could fail to pay off the mortgage if its investments do not perform as well as expected.

As previous articles have made clear, those who took out endowment policies in, or before, the early 1980s already have enjoyed good investment returns and need not worry; the problem is confined to the late 1980s.

Lenders have to decide if endowments are acceptable security for the loan, and the assumptions needed to determine this vary according to whether the policy is with-profits or unit-linked. The latter assumes an annual investment growth rate – in the case of Allied Dunbar, 7.5 per cent, after charges, during the late 1980s. If this is achieved, the policy will be paid off.

With-profits policies, where annual bonuses are added each year and a terminal bonus can be added at the end, assume that annual bonuses will continue at 80 per cent of their present rate, with no terminal bonus. They ultimately depend on their investment growth.

Some lenders may have been too optimistic in their assumptions for endowment growth rates. With-profits offices have cut their bonuses this year, and returns have been harmed by poor performance in the property and equity markets. Predictions are widespread that returns for the rest of this decade will be low.

Several companies now admit that endowments sold at the peak of the boom might not reach their target. The annual returns they require from now until the maturity date have crept above 10 per cent, after paying expenses and taxes. Such returns are not unrealistic; but with inflation and interest rates at low levels, it is conceivable that the policies will miss their target.

This might sound like a problem that will manifest itself only in 2013, when endowments bought in 1988 mature, but those who can afford it might want to take action now.

Insurers are adapting their systems so that they can ask customers to increase their premiums if the policy seems to be falling short. But Tony Shepherd, chairman of the Institute of Financial Planning, suggests this is the last thing you should do.

Those nervous about their endowment should supplement it with tax-efficient saving, such as a Pep, he says. A life office which asks for an increased premium is, effectively, admitting it has failed, so it is hard to see why borrowers should pay it more money.

Shepherd's advice to the many people considering stopping the premiums on with-profits policies is, however, unequivocal: "Once you've got it, you're stuck with it." None of the options is as worthwhile as continuing to maturity, even if dire predictions for future returns are correct.

Unit-linked contracts offer a simpler deal, as values are determined by the underlying performance of the units, while with-profits returns are at the discretion of actuaries.

The options are:

■ **Surrender**

This is almost certainly the worst choice. You stop paying premiums and take the returns from the policy immediately. But all the expenses of setting it up, meant to be spread over 25 years, will have to be taken out of the premiums paid in already, making a bigger proportionate impact. Surrender values need not take account of bonuses added on, as these are guaranteed only if the policy continues to maturity.

It often takes 10 years before the surrender value is greater than the total premiums paid in, so this is an act of desperation. With a unit-linked policy, the costs are taken via a "nil allocation period" at the start when premiums do not buy any units. After this, the surrender value will equal the total value of the units.

■ **Making the policy paid-up**

This involves stopping paying the premiums but only taking the proceeds at the scheduled maturity date. The value will not be as good as you would get by continuing to pay the premiums because the start-up costs will be spread over a smaller sum. But by giving the investment longer in which to earn compound returns, you should ultimately get more than if you surrender.

John Lister, of General Accident Life, says standard practice is to reduce the sum assured by a proportionate amount and then add bonuses to this reduced amount. The amount you receive eventually depends on future bonus rates.

Most companies will not allow a policy to be made paid-up in its first year or two. After this, the value improves the longer the policy has been in force. Standard Life says a policy started 25 years ago, with annual premiums of £360, and made paid-up 10 years ago, would have paid out £44,045 on maturity. Had all premiums been paid, the maturity value would have been £68,848 – compared with a surrender value at the time of £10,048.

The returns on premiums paid make the trade-off clearer. The surrender value gave a return of 7.4 per cent, the paid-up policy 11.7 and the maturity value 13.5. The past 10 years have produced good returns, so this is a flattering period over which to judge the policy. Those who can afford to continue paying premiums are well-advised to do so.

■ **Selling the policy**

Dealers have established a market for second-hand endowments. Policyholders in search of cash can ask for a quote from a marketmaker. This is usually higher than the surrender value. But the marketmaker will then take a cut and sell it on to someone else for a profit. The fact that this is possible shows that a better return should be achievable by keeping the policy to maturity.

There is no need to panic. Endowments are unlikely to miss their target by much, and planning should make up any shortfall. But if they do fail to repay loans, the final words will have been written in an unhappy episode for the housing industry.

Lenders will not pass on full rate cut

LIKE HERDED sheep, banks and building societies were quick this week to follow the 7.99 per cent mortgage rate set by Halifax, the largest lender.

The society said it had given "special consideration" to its savers in setting the new rate, which represents a cut of only 0.56 of a percentage point compared *with the* base rate drop of 1 point. It applies immediately for new borrowers and from March 1 for existing mortgage-holders.

Those with a £50,000 mortgage, and paying 8.55 per cent, will see their monthly payments drop from £355.41 a month to £340.08 if they have a repayment mortgage. A 29-year-old non-smoker with an endowment mortgage will see his payments fall from £364.81 to £344.98.

The cut has had a noticeable impact on what can be afforded, according to figures compiled by the FT. Assuming a mortgage rate of 7.99 per cent, then a loan on an average-priced house (according to Halifax's index) now costs 17.8 per cent of average income – down from 19.11 per cent after the last base rate cut in November. This is almost down to the level of 17.35 per cent recorded in 1972.

The only institution so far to have passed on the full 1 point base rate cut is UCB, the UK subsidiary of Compagnie Bancaire, a French financial services group. But UCB previously was charging 8.99 per cent, well above the market rate, and existing customers will have to wait until April 1 for the new rate of 7.99.

Other banks and building societies to have announced a 7.99 rate are Abbey National, Alliance & Leicester, Barclays, Britannia, Chelsea, Cheltenham & Gloucester, Coventry, Leeds Permanent, Lloyds Bank, Midland, National & Provincial, Nationwide, Northern Rock, Nottingham, Royal Bank of Scotland, Staffordshire, Stroud & Swindon, TSB and Woolwich.

The rates apply from March 1 for existing borrowers, with some exceptions. Lloyds' new rate will apply to both new and existing borrowers from February 26. Chelsea, Northern Rock, National & Provincial have not yet decided on a date for existing customers.

There has been some variation in the rates. Household *Mortgage Corporation*, a centralised lender, has announced that its new figure will be 7.69 per cent from April 1 for new and existing borrowers. Its mortgage-holders now are paying 9.95 per cent, which will be reduced to 8.45 per cent from March 1.

Firstdirect goes to 7.95 per cent, a drop of 0.54 of a point. Existing borrowers benefit from March 1. Manchester building society has cut by 0.56 of a point to 7.89 per cent with immediate effect for new borrowers and from March for existing customers.

Rates at National Home Loans, another centralised lender, continue to lag behind. The new figure is 9.99 per cent from April 1; borrowers on the present standard variable rate are paying 10.8.

There are some variations on the standard rate depending on the size and/or the proportion of the house's value you borrow. The new rate for those borrowing over £100,000 from Abbey National is 7.7 per cent, while those borrowing less than 80 per cent of the value of the home at Woolwich will pay 7.65 per cent.

First-time buyers are being courted actively while new fixed rates continue to be launched. Many are tied to endowment or pension mortgages, restricting the choice to those wanting a repayment mortgage.

Stroud & Swindon has a two-year, 6.95 per cent fixed-rate mortgage available in both repayment and endowment modes. The fee is £150 and the early redemption penalty is three months.

Staffordshire also has a 6.49 fixed-rate offer until March 31 1995 for a fee of £195, available on repayments and endowment mortgages. Neither society requires customers to buy insurance-related products.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

Shares win in the long run

Philip Coggan looks at a BZW study of equities and gilts

IN THE long run, there is no substitute for buying shares. That is the conclusion of the latest edition of the BZW Equity-Gilt Study, which analyses figures dating back to 1918.

Over that period, the average annual nominal return on equities has been 11.9 per cent, compared to 6.4 per cent from gilts and 5.5 per cent from cash (Treasury bills). In real (after inflation) terms, shares gave returns of 7.3 per cent a year, compared with 1.16 per cent from gilts and 1.04 per cent from cash.

When compounded, the effects of this difference are staggering. Someone who invested £100 in shares in December 1945 would have turned this into £34,179 by the end of 1992; the same sum in gilts would have grown to £1,432 and in cash to £2,549. In real terms, an investor in gilts has actually lost money over the same period.

These returns are gross and ignore the effects of tax and the costs of dealing. Nevertheless, BZW says that even allowing for these costs, shares *come out well on top.*

If you allow for basic rate tax, the real yield on equities over the last 25 years has been 4.4 per cent; allowing for top rate tax, it has been 2.1 per cent.

Michael Hughes, managing director of BZW economics and strategy, thinks that shares will continue to outperform, although the gap will be narrower. He is expecting gross real returns on equities to be around 6.5 per cent over the next five years and on gilts to be 3.5 per cent.

Gilts will do better than previously because of lower inflation, thinks BZW, and equities will not do quite as well as before because of lower real dividend growth.

Nevertheless, Hughes says those real returns could mean that the FT-SE 100 index, currently around 2800, will reach 7000 by the end of the decade.

So what should investors do? BZW figures show that an investor who *wants the best long-term total return* (and is oblivious to risk) should invest totally in shares. Few people are oblivious to risk, however.

*Michael Hughes suggested a strat*egy of investing in a portfolio of gilts and *using the* income to invest in shares via a savings scheme approach. That might be a rather cumbersome strategy.

Those who want income might also look askance at shares. But someone who bought a portfolio of shares when *Margaret Thatcher took* office in 1979 would have seen his income nearly *quadruple* by 1992.

None of this proves that shares will do well in the short term. But for those who can afford to invest for five years or more, the case for shares looks compelling.

The Week Ahead

FYFFES, the Irish-based fruit and vegetable distributor, is heading for a modest increase in pre-tax profits on Tuesday, having weathered recession in Europe and ERM currency upheavals during *its year* to end October 1992.

Profits of I£28.5m are expected against I£27.1m last year, with the dividend likely to rise to 0.8939p (0.8126p) after the interim was upped to 0.3549p (0.3226p). Earnings per share, diluted by issues in 1992, are likely to fall to 5.7p from 6.73p.

Expansion into continental Europe has come *at a difficult* time. The group's year-end coincided with sterling's 15 per cent decline in value against the Irish currency, with 50 per cent of turnover coming from UK operations.

Bullough, the office products and refrigeration group, is expected to produce results on Monday in line with its December profit warning of a slump from £20.8m to £8.5m in pre-tax profits for the year *to October* 31. Earnings per share are likely *to be* between 4.5p and 4.6p (11.55p), with the dividend held at 6.05p. Profits this year could rise to £12m, confirming the group's position as a potential recovery stock.

Giro speeds cash transfers in Europe

New system responds to complaints about banks, writes ***Hilary Barnes***

TRANSFERRING money internationally through commercial banks is slow and expensive – something that is well known to anyone who *makes and receives payments* regularly. Often, the customer finds it difficult to discover the price.

There is, however, an answer *to the problem,* at least for intra-European payments. A new system called Eurogiro links 14 European countries and could be joined by Japan *before long.*

The 14 members are the three Nordic nations – Sweden, Norway and Finland – Switzerland, and all EC members except Italy, Greece, and Portugal. Italy is expected to announce that it intends to join when the Eurogiro directors hold their next meeting in Brussels on Friday.

Japan's Postbank would also *like to join, but the United* States is a problem because there is nothing resembling the post office giro system in America.

Eurogiro is run by the Danes, who got the job because the *giro system* is especially well developed in Scandinavia. Its managing director, Mogens Hansen – a co-director of Denmark's GiroBank – said in *Copenhagen this week that it* began in November last year in response to criticisms of the system operated by commercial banks.

Hansen said: "We offer the consumer a product which is *cheap. It is transparent:* the customer knows exactly what the cost is for both sender and recipient. And it is fast: we guarantee to complete a transfer within three bank days of a debit, or one day less if the *system for urgent transfers* is used."

A card, available to all customers, lists prices for payers and payees in each country. For example, making a payment from Denmark costs DKr15 while the receiver in the UK pays £2.

"We guarantee to keep our prices lower – or, at a maximum, never higher – than the banks," Hansen said.

Britain's Girobank, which has been owned wholly by the *Alliance & Leicester Building* Society since being privatised in 1989, is a part of Eurogiro. But the giro system is relatively undeveloped in Britain.

According to Girobank's press office, the UK operation *carries out about 135,000 trans*actions a year compared with about 250m by Denmark's GiroBank, although Denmark's *population* is only 5.1m to Britain's 60m.

Hansen said that since Eurogiro opened – accompanied by a big advertising campaign in all member countries – interest had been enormous. Euro*giro expects to make around* 7m transactions in its first year.

In view of the large number of trade transactions between European countries, this total is quite small. But Hansen *points out that the more people* who use Eurogiro, the cheaper it will become.

The system is easy to use. The recipient must have a giro account and the sender needs to know the number, but the sender *does not necessarily* need an account.

You can go to the local post office, fill out a giro form, pay cash at the counter – and off it goes.

Warning over BES outlays

SEVERAL new business expansion scheme companies were launched this week. Meanwhile, Flexit, which is sponsored by Richard Ellis Venture Consultants, sold out very quickly. But John Spiers of BESt *Investment warns* that people who pay top-rate tax on only a small part of their incomes may be putting too much into non-recourse schemes. Basic*rate taxpayers lose if they take* money after six months.

New schemes this week include:

■ **The Shannon Companies**
Sponsored by British Linen Bank, these will buy repossessed properties from Bank of Ireland *Home Mortgages.* Non-recourse loans of 75p per £1 invested are available after six months, while the return after five years is £1.07 per £1 *invested originally.*

■ **Artesian Select**
Not to be confused with "guaranteed" schemes, this is the latest in a long series of companies which buy properties, or building sites, in London and aim to make a profit from rental yield and capital growth after five years. There is no guarantee, but there is also no upper limit on the return.

■ **House the Homeless of London (Spring 1993 Issue)**
Sponsored by Downing Corporate Finance, this is the latest scheme to buy properties for the Peabody Trust, which will pay £1.15 for every £1 share at the end of five years.

There is no independent bank guarantee so the offer *depends* on Peabody, which has properties with an open market vacant possession value of £825m.

■ **Kerrington MaxiGrowth**
Like Artesian, this is the latest in a series of non-guaranteed companies which will aim to profit from high rental yields in London.

■ **London and Home Counties Repossessions**
Sponsored by Close Brothers, this aims to profit from cheap repossessed properties. The sponsors hope to obtain rental guarantees from colleges and *housing associations.*

John Authers

Pep fee waived

THE END OF the tax year often leads to special offers from financial groups. Scottish Equitable* is offering to waive its fixed administration fee (£45 plus VAT) for those who buy its Premium personal equity plan between February 1 and April 30.

The Premium Pep is linked to six unit trusts. There is no initial charge on these, which *means investors buy units at* the "creation" price, which is well below the offer price. There is still a bid-offer spread of around 1 per cent, but this reflects Scottish Equitable's costs in buying and selling the shares the trusts own.

Scottish Equitable does, however, impose an annual Pep charge of 0.875 per cent (plus VAT) on top of the normal yearly unit trust management charge of 1 per cent or so. And those who want to sell their Pep holdings will face exit charges within the first five years.

Martin Currie, the *Edinburgh-based fund* management group, is also offering a 2 per cent discount on Pep investments into its range of nine unit trusts for those who apply by March 26.

*On p19 of the *Quarterly Review,* published today, I attribute this plan incorrectly to Scottish Amicable. My apologies for this error.

P.C.

News in Brief

STANDARD LIFE, the UK's biggest supplier of endowments, has announced cuts in the bonuses it pays on with-profits contracts. The changes mean that Standard loses its position at the top of the 25-year pay-out league tables to *GA Life,* but it remains near the top of the table.

Both reversionary bonuses, which are awarded each year and once announced cannot be taken away, and terminal bonuses, awarded only when *the contract matures,* have been cut. Reversionary bonuses have been reduced to reflect the company's prediction of lower investment returns in future, while the cut in terminal bonus follows a below-average return in 1992.

Using the standard industry assumptions that policies were started by a 29 years-old man paying £30 per month in premiums, 10-year pay-outs have been reduced 10.8 per cent from £7,672 to £6,839. This is one of the steepest cuts announced so far, while the highest pay-outs came from two much smaller offices – *£7,705 from Royal National* Pension Fund for Nurses and £7,291 from Tunbridge Wells Equitable.

The 25-year pay-out drops by four per cent to £63,394 from £66,067. The top pay-out so far *is GA Life's* £65,464.

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New unit trust launches continue, in spite of the widespread opinion that there are already too many trusts available. NM Financial Management is launching four new "funds of funds" next week. They are meant as the centrepiece of the company's revamped unit trust "managed portfolio service".

NM is making the move to lessen capital gains tax problems for its clients – CGT is not payable within a unit trust, including a fund of funds, so investors are only liable for CGT on the unit trust as a whole. Portfolios for growth and for growth and income are on offer, in both cases with a choice between a fund investing only in NM unit trusts and a fund investing in trusts from other management groups.

For the NM-only funds, initial charges are 5.75 per cent, with an annual management fee of 0.75 per cent and a £10,000 minimum investment. For the open funds, the management charge is increased to 1.25 per cent, and minimum investment is £20,000. NM is offering flexible regular withdrawals and regular investment updates in a file provided by the company to encourage *private clients.*

It is hoping to use the funds to encourage savers away from falling returns in building society accounts.

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Save & Prosper has launched a *second issue of its guaranteed* stockmarket bond. This offers 98 per cent of the rise in the FT-SE 100 index over the next five years (99 per cent for those who invest before March 5), or your money back. As a measure against a last-minute fall in the index, the final payout will be based on the average level of the Footsie in the six months before encashment. There is an extra facility which allows you to lock in every 10 *per cent rise in the FT-SE;* the cost is that you only receive 90 per cent of the index's rise (so if the market goes up 10 per cent, you get nine per cent).

Like many others of these bonds, it does not take account *of the dividend yield in the* index; there is no guarantee if you withdraw within five years; and, while returns are net of basic rate tax, higher-rate taxpayers will probably face an extra charge. The minimum investment is £2,500.

Meanwhile, Bristol & West has launched an international guaranteed equity bond. This offers the rise in the FT-SE 100 index over five years, or your money back. It also offers to lock in the gain if Footsie rises by either 25 or 50 per cent. Returns are paid gross but are taxable; so basic-rate payers will only be receiving 75 per *cent of Footsie's rise, and top*-rate payers 60 per cent. Thus the product is best suited to non-taxpayers.

Funds cannot be withdrawn (except on death) during the five-year period and receive no benefit *from* the *Footsie's* yield. The minimum investment is £5,000.

The FT-SE 100 index rose 66.2 per cent over the five years to January

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Postal	£250	6.80%	Yly
Northern Rock BS	Go Direct	0500 505000	Postal	£2,000	8.05%	Yly
				£20,000	8.55%	Yly
Scarborough BS	Scarbgh Ninety 3	0723 368155	90 Day	£500	7.25%	Yly
City Metropolitan BS	Super 90	081 464 0814	90 Day	£25,000	8.00%□	Mly
Chelsea BS	Premier VI	0800 272505	31.3.95	£5,000	9.5%☆	Yly
				£10,000	10.00☆	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	9.49%	Yly
National Counties BS		0372 742211	5 Year	£3,000	8.75%	Yly
West Bromwich		021 525 7070	5 Year	£150	8.70%	Yly
Tipton & Coseley BS		021 557 2551	5 Year	£1	8.65%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Citibank	Money Market Plus	0800 555884	Instant	£2,000	5.75%	Mly
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	7.60%‡	Yly
				£25,000	8.10%‡	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.75%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£10,000	7.25%	Yly
				£25,000	7.80%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 720609	6 Month♠	£50,000	8.60%	Yly
GUARANTEED INCOME BONDS (Net)						
Prosperity FN		0800 521546	1 Year	£25,000	5.90%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	5.50%	Yly
Prosperity FN		0800 521546	3 Year	£25,000	6.50%	Yly
Consolidated Life FN		081 940 8343	4 Year	£2,000	6.50%	Yly
Consolidated Life FN		081 940 8343	5 Year	£2,000	6.60%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% + Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. B = Bond.
☆= Rate fixed only until 1.4.93. □ = Rate guaranteed until 1.5.93. ‡= Rate guaranteed only until 12.2.93.
♠= After 6 month qualifying period
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Evode	129	131	106	95.29	Laporte
Do. Prf.	112	113	101	45.7	Laporte
Hunter Saphir	42*	43	36†	10.37	Albert Fisher
Owners Abroad	113	115	109	168.37	Airtours
Do. Cnv. Prf.	103	205	179	53.6	Airtours

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 28/1/93. §§Shares and cash †Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Abtrust Preferred	May	-	(-)	-	(-)	8.72	(11.62)
Allied Textile	Sept	12,700	(13,200)	30.8	(31.7)	12.6	(12.3)
Aukett Associates	Sept	3,880 L	(360)	-	(-)	-	(1.75)
Cardiff Property	Sept	921 L	(109)	-	(3.4)	2.4	(2.4)
City & Commercial Inv	Jan	2,620†	(2,340†)	-	(-)	11.09	(9.91)
City Site Estates	Sept	17,970 L	(3,370 L)	-	(-)	-	(1.49)
Dawson Holdings	Sept	3,000	(1,870)	56.0	(29.4)	24.0	(22.0)
Derby Tst	Dec	2,680	(2,980)	16.63	(18.43)	16.63	(18.43)
Domino Printing	Oct	11,940	(9,030)	30.02	(27.7)	7.2	(6.25)
First Maryland	Dec©	92,500	(75,100)	-	(-)	-	(-)
French (Thomas)	Oct	110	(285)	0.19	(5.51)	3.62	(3.62)
Gresham Telecom	Oct	767	(355)	1.94	(1.0)	0.25	(0.22)
Lookers	Sept	1,610	(3,210)	0.9	(2.1)	6.2	(6.2)
Malvern UK Index	Dec	1,830†	(2,200†)	3.77	(4.54)	3.77	(4.5)
Merlin Int'l Props	Jun	3,960 L	(21,300 L)	-	(-)	-	(-)
Partridge Fine Art	Oct	1,110	(2,160)	3.25	(6.54)	2.25	(2.25)
Princedale Group	Sept	389	(431 L)	0.08	(-)	-	(-)
Principality Building	Dec	17,000	(15,100)	-	(-)	-	(-)
Securiguard	Nov	5,740	(5,020)	19.0	(17.0)	9.4	(8.5)
Selective Assets	Dec	976	(700)	2.54	(1.4)	1.2	(0.82)
Shandwick	Oct	2,000	(1,400 L)	0.7	(-)	-	(2.38)
Stakis	Sept	306	(47,420 L)	0.15	(-)	0.45	(0.9)
St Andrew Tst	Dec	-	(-)	-	(-)	7.55	(7.55)
Warner Estates	Sept	7,480	(7,840)	11.15	(10.8)	10.5	(10.0)
Wescol Group	Jul	2,490 L	(1,550 L)	-	(-)	-	(-)
Witan Inv Co	Dec	27,520	(26,270)	6.71	(5.67)	5.6	(5.3)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
AB Consulting	Oct	849 L	(327)	0.3	(2.2)
Budgens	Nov	2,070	(2,240)	-	(-)
Centors	Oct	175	(206)	1.0	(1.0)
Contra-Cyclical	Dec✣	877†	(788†)	2.2#	(2.2#)
CST Emerging Asia	Dec	70,620	(18,310 L)	-	(-)
Dale Electric	Nov	644	(497)	2.0	(2.0)
Davies (DY)	Oct	484 L	(426 L)	-	(-)
Dyson (J&J)	Sept	341	(347)	2.0	(2.0)
Europe Energy	Sept	146 L	(148 L)	-	(-)
Excalibur Group	Oct	163 L	(905)	0.2	(0.4)
Exmoor Dual Inv	Nov●	221	(322)	2.5	(2.5)
Feropak	Oct	965 L	(813 L)	1.65	(1.45)
Farringford	Aug	151 L	(281 L)	-	(-)
Firth (GM)	Sept	1,500 L	(712 L)	-	(-)
Geared Income Inv	Dec✣	1,340†	(1,300†)	2.0#	(2.0#)
GT Japan Inv Tst	Dec	1,230♠	(272♠)	0.4	(0.4)
Heath (Samuel)	Sept	85	(72)	1.5	(1.5)
Heritage	Oct	53	(98 L)	-	(-)
Hong Kong Inv Tst	Dec	170	(24 L)	0.75	(-)
Hoyle (Joseph)	Sept	399	(5)	-	(-)
Independent Inv Co	Dec	1,120	(582)	-	(-)
Jurys Hotel	Oct◆	2,150	(2,070)	2.0	(2.0)
Kleinwort High Inc	Dec	1,010♠	(1,260♠)	1.87	(1.87)
Lister & Co	Sept	1,820 L	(1,390 L)	-	(-)
MFI	Nov	12,700	(19,000)	1.25	(-)
Misys	Nov	6,760	(3,590)	2.6	(2.27)
Murray Smaller Mkts	Nov	1,840	(1,910)	1.35	(1.25)
Murray Split Capital	Nov●	278	(1,400)	2.65	(-)
Norbain Electronics	Oct	224	(33)	-	(-)
Osprey Comms	Nov	90	(314)	-	(0.65)
Park Food	Sept	3,690 L	(4,390 L)	2.0	(1.0)
Prism Leisure	Sept	478	(373)	0.9	(0.75)
Property Tst	Sept	428	(6,300 L)	-	(-)
Proteus Int'l	Sept	1,200 L	(1,120 L)	-	(-)
Reject Shop	Sept	884 L	(887 L)	0.5	(1.05)
Richmond Oil & Gas	Sept	386 L	(23)	-	(-)
Rubicon Group	Nov	1,220	(963)	1.5	(-)
Seville Gordon (J)	Oct	1,280	(1,350)	0.5	(0.5)
Shelton (Martin)	Sept	144 L	(122 L)	0.75	(0.75)
Shield Group	Sept	54	(1,340 L)	-	(-)
Smith (WH)	Nov	40,200	(50,100)	4.3	(4.3)
Stavert Zigomala	Sept	39	(24)	-	(-)
TR Smaller Cos	Nov	4,750	(5,010)	1.5	(1.5)
Unitech	Nov	4,550	(7,810)	2.1	(2.1)
Wood (John D)	Oct	77 L	(194 L)	-	(-)
Worthington Group	Sept	305	(496)	0.5	(0.3)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Net revenue. # = Third interim dividend. ✣ = Figures for nine months. ● = 1st quarter figures. © = Figures quoted in US dollars. ♠ = Net profits. ♥ = Last years figures for 15 months. ◆ = Figures quoted in Irish pounds & pence.

RIGHTS ISSUES

Asda Group is to raise £347m via a 3-for-10 rights issue at 53p.
Burton Group is to raise £163m via a 1-for-4 rights issue.
ML Holdings is to raise £14.3m via a 2-for-1 rights issue at 15p.
Stakis is to raise £28m via a one-for-three rights issue
Volex Group is to raise £17.5m via a 1-for-4 rights issue at 345p.
Wessex Water is to raise £144.5m via a one-for-six rights issue at 460p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Bullough	Monday	1.75	4.3	1.75
Caldwell Inv	Monday	-	-	-
Castle Cairn Inv Tst	Wednesday	-	0.75	-
Continental Assets Tst	Friday	-	1.25	-
European Assets Tst	Monday	-	-	-
Fyffes	Tuesday	-	-	-
Heavitree Brewery	Thursday	0.006	0.024	0.006
Miskin Group	Tuesday	-	-	-
Seacon Holdings	Wednesday	1.5	2.7	2.0
Waste Management	Wednesday	-	-	0.13
INTERIM DIVIDENDS				
Adscene Group	Tuesday	1.5	2.5	-
Birse Group	Friday	1.65	-	-
Bristol Channel Ship Repair	Thursday	-	-	-
Cook (DC)	Thursday	0.2	0.3	-
CRT Group	Monday	0.575	1.825	-
English & Caledonian Inv	Friday	1.25	2.6	-
Ewart	Monday	0.25	0.5	-
Haynes Publishing	Monday	2.5	3.5	-
Helton Holdings	Tuesday	0.65	1.35	-
Northumbrian Fine Foods	Wednesday	0.75	-	-
TR City of London Tst	Thursday	1.19	-	1.19
Welsh Industrial Inv Tst	Monday	-	4.7	-
YRM	Tuesday	1.65	2.35	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

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Tax victory prompts new guidelines

***Andrew Jack** reports on Revenue moves to pay back tax on benefits*

EMPLOYEES WHO receive benefits from their employers should start examining their tax returns with extra care as the implications of a concession from the Inland Revenue sink in.

More than 130,000 people with in-house benefits can expect to receive refunds as a result of a long-contested court battle which was concluded in November.

The Revenue has already shown itself eager to hand back £550m a year in tax on share dividends and bank interest in the last few weeks with a new £2m advertising campaign. Now it is sheepishly admitting that it will be paying out up to £30m to employees who have been over-taxed on benefits.

Many who have been taxed through pay-as-you-earn or on their assessments will be able to claim refunds as far back as the 1986-87 financial year.

The reason behind the change is an embarrassing and unexpected defeat for the Revenue in the House of Lords late last year concerning John Hart, a schoolteacher at Malvern College, and ten of his colleagues.

The Revenue had argued that Hart and his fellow teachers should pay tax as a benefit on any reduced-rate private school fees for their children below the average cost of tuition – the total costs divided by the number of pupils.

Hart argued – and won – on the grounds that he should only be taxed on any amount they were paying below the marginal cost of tuition – the additional cost of teaching one extra person, to include items such as books, laundry and food.

After several weeks to think through the implications of the Law Lords' decision, the Revenue has now issued guidance on the ruling.

The groups which are likely to be affected are employees receiving goods and services provided by their employers free or at a discount from within their business; and those able to use business assets partly for private use.

The ruling will have no effect on many benefits, including a number covered by separate legislation such as company cars, beneficial loans and living accommodation.

The largest of these groups are employees of British Rail and London Transport, which are offered concessionary travel. These are so large that the Revenue is making special arrangements, and employees need not contact their tax office directly.

Others likely to be affected – aside from concessionary tuition fees for private school teachers – include employees of travel companies, airlines and ferry companies who may have been taxed based on the average rather than marginal cost.

The Revenue has laid down some guidelines on marginal cost. It says it accepts that there is no, or negligible, cost for rail or bus employees on terms which do not displace fare-paying passengers.

There will equally be no tax on goods sold at a discount at least at the wholesale price; teachers paying at least 15 per cent of a school's normal fees; and professional services which do not require additional employees or partners.

Some fixed costs on the private use of assets – such as the road tax for a fitter's van – will no longer be taken into account as part of the assessment of taxable benefit.

On mobile phones, the Revenue states that the cash equivalent of the benefit is £200. It is reduced to nil if the employee does not use the phone for private use, or makes good the full cost of any private use.

As a result of the House of Lords judgment, it has determined that the employee should not have to pay a proportion of the standing charges of the phone, such as line rental.

Tax practitioners are busy considering the implications of Pepper vs Hart on behalf of their own clients. Ms Leslie Ferrar of KPMG Peat Marwick, adds the possibility of the annual subscription rate on corporate credit cards and the insurance premiums on rental vans as among the other benefits which may now be subject to less tax by employees.

The Revenue says that anyone claiming a refund should apply to their local tax office, and will be able to process claims more quickly if taxpayers bring their national insurance number and details of the years in which they paid tax on in-house benefits.

Those expecting this new taxing regime on benefits to remain unchallenged in the future should not be too optimistic. The Revenue has a habit of influencing ministers to change the law when it is defeated in court.

Home repossessions fall from 1991 peak

REPOSSESSIONS fell from their 1991 peak of 75,540 to 68,540 at the end of last year, according to figures released by the Council of Mortgage Lenders this week. But the 9 per cent drop was accompanied by a sharp rise in the number of those with mortgage arrears of at least six months.

At the end of last year, more than 350,000 households were six months behind in their mortgage payments – an increase of 28 per cent on the 1991 total of 275,350.

Home-owners who were between six to 12 months behind increased to 205,010 at the end of 1992 from 183,610 the previous year, while borrowers more than a year in arrears rose from 91,740 to 147,040.

Mark Boleat, director-general of the CML, gave two main reasons for the rise. When a property is repossessed, those with mortgage arrears fall out of the statistics. And since lenders increasingly were accepting lower monthly payments rather than repossessing, the arrears figures had increased.

Boleat added that lower interest rates inflate the figures because of a "statistical quirk." Figures for monthly arrears are calculated by dividing the total outstanding by the monthly payments. When interest rates fall, so do the new monthly payments. The number of months of arrears for those falling behind with their payments then increases automatically.

Shelter, the charity for the homeless, said that it did not agree with this interpretation. Director Sheila McKechnie said: "The problem of mortgage debt is not diminishing, it is just shifting from repossessions to long-term arrears. The crisis has been postponed, not solved." Shelter is calling for a mortgage benefit scheme similar to low-income housing benefit to those who rent.

Jim Murgatroyd of Halifax, the largest lender, said it was "illogical and unfair" that those who owned homes should not be in the same position as those who rent.

In the case of a joint mortgage, keeping up payments was not so much of a difficulty if both parties became unemployed because they would be entitled to social security. But if one was made redundant or had a loss of income, it was more difficult for them to make regular payments.

The launch of schemes designed to contain the total number of repossessions has had a limited effect compared with a policy of "forbearance" by lenders. Boleat estimates that only 1,000 homes have been saved as a result of mortgage to rent schemes. But 10,000 households have been saved from repossession because of the government's decision to pay the mortgage interest element of income support directly to lenders.

While more than 60 per cent of repossessed households had a second mortgage, the CML said, the second lender had been responsible for repossession in only 1,000 cases. But the figures show that those with greater debts found it harder to stave off repossession than others. Halifax said that situation was changing. Those falling behind with mortgage payments now were more likely to be doing so because of loss of income rather than multiple debts. CML said that lenders would not increase repossessions once the market improved.

Scheherazade Daneshkhu

A tax cold-shoulder

PERSONAL pensions holders face a less friendly tax environment from April 6. But just how much less friendly depends on how old you are, how much you earn, and whether you are male or female.

From April, the rebate on National Insurance contributions for those who contract out of the state earnings related pension scheme (SERPS) is to be 4.8 per cent of earnings between the lower and upper earnings limits, down from 5.8 per cent currently available. Moreover, the two per cent additional rebate is to be eliminated and replaced by a one per cent tax rebate only for personal pension holders aged 30 and over.

The government has now decided that members of so-called contracted out money purchase schemes, some of which are organised by employers, shall not be eligible for the one per cent additional rebate.

The effect of the changes means that those who have contracted out of personal pensions will now find it advantageous to opt back in even earlier than had been planned. And for some young people on low salaries, contracting out is also much less attractive.

The difficulty is that there are wide differences of view over when it it is worthwhile to opt back into SERPS. For instance, Legal and General says that those who already have personal pensions can still obtain tax advantages up to the ages of 45 and 40 respectively because they have already paid the up-front costs associated with them. However, Clay and Partners, consulting actuaries, puts the ages at 50 for men and 42 for women.

The Department of Social Security became concerned that individuals making personal pension provision should be properly informed about the tax changes. It asked the self-regulatory bodies which oversee those who sell personal pensions to make sure clients were advised properly. Last week, Lautro, the self-regulatory body for the life industry, became the first SRO to issue guidance for agents.

Norma Cohen

Directors' transactions

THE TREND of director selling, seen since the beginning of the year, has not diminished. As the FT-SE 100 index moves ahead, directors are taking profits.

TT Group's relative performance over the short and medium term has been strong. Since the open offer at the beginning of the year at 167p, the industrial group's share price has risen 50 per cent. Sales by John Newman and Nicholas Shipp of 185,000 and 1m respectively still leave them with a sizeable proportion of equity.

Three directors dealing at First Leisure raised more than £3.5m. Final results for the leisure and recreation group were announced the previous week and were slightly ahead of last year. The sales by Michael Payne and Joseph Bollom almost halved their existing holdings but Lord Delfont, the chairman, still retains a considerable number of shares.

Kevin McDonald, the chairman and managing director of Polypipe, has sold 2m shares at 128p. He still holds more than 33m.

Directors at Caverdale, the motor distributor, have been bucking the trend with sizeable purchases. The company is about to enter its closed period, when directors are not allowed to deal, making this their last buying opportunity for a while.

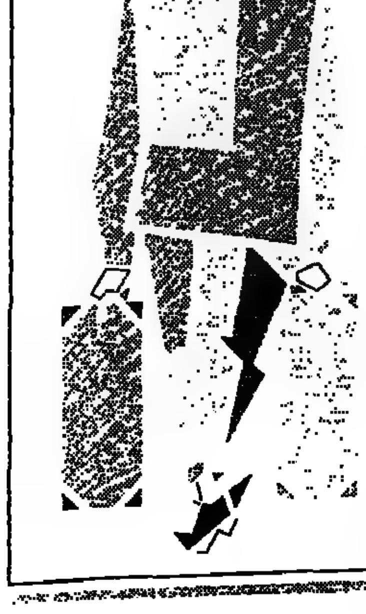
Angus MacDonald, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Argyll Group	FdRe	128,375	499	2 *
Bemrose	Pack	40,000	113	1
Berry, Birch & Nobl	InsB	110,000	177	2
Body Shop Internatl	*Stor*	*8,320*	*12*	*1*
Cater Allen	OthF	30,670	125	2 *
Dewhirst	Text	158,865	85	2
Diploma	Elns	35,000	137	1
First Leisure	H&L	1,100,000	3,575	3
Land Securities	Prop	10,000	44	1 *
Leeds Group	Text	27,000	143	1
LWT Holdings	Med	4,180	13	2
MacFarlane Clansman	Pack	10,000	26	1
Merrydown Wine	Brew	35,128	100	1
Microgen	Pack	108,500	228	2 *
MMT Computing	Elns	10,000	12	1
Polypipe	BdMa	2,000,000	2,560	1
Portmerion Potts	Misc	4,000	13	1
Salvesen (Christ'n)	BuSe	465,558	1,621	1 *
Shanks & McEwan	Misc	1,000,000	2,230	1
St Ives	Pack	198,000	630	1
Thames TV	Med	20,000	36	1
Thorpe	Elcs	22,000	23	1
TT Group	EngG	1,016,000	2,508	2
Usborne	FdMa	75,000	16	1
Warburg SG CnvDef	Merc	175,000	489	1
Warburg SG	Merc	161,529	882	1
Watmoughs	Med	1,800	10	1
Windsor	InsB	500,000	75	1
PURCHASES				
ACAL	Elns	20,000	44	1
Blenheim Group	Med	150,000	622	1
Caverdale	Motr	7,761,900	366	3
Consol Venture Tr	InTr	20,000	50	2
Dart	BuSe	38,000	20	1
Five Oaks Invest	Prop	150,000	18	4
Henlys	Motr	13,800	12	1
Molyneux	Prop	200,000	46	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 18-22 January 1993.

Source: Directus Ltd, Edinburgh



FINANCE AND THE FAMILY

Investment Trusts

Why Edinburgh has placed its faith in UK shares

THERE ARE few prizes for being second and Edinburgh Investment Trust, the second largest investment trust, sometimes misses out on the attention accorded to its bigger rival, Foreign & Colonial.

Edinburgh is one of the oldest investment trusts and it is named after the city where it was founded in 1889, with a starting capital of £450,000. By the end of 1992, that figure had grown to more than £1bn.

Like Foreign & Colonial, Edinburgh is classed as an international general trust but you would not guess it from a glance at its current spread of assets – 90 per cent in the UK.

The trust emphasises that this is not a policy change, but a strategy change. "At the moment the UK market is relatively speaking good value in terms of capital and income growth," says manager Ian Massie. Edinburgh is quite ready to switch its assets into overseas markets if they appear more attractive.

However, Edinburgh has consistently maintained a much higher weighting in the UK market than its international rivals. This has not helped its relative performance over the long term. According to figures from the Association of Investment Trust Companies, Edinburgh was last (out of 14 trusts in the sector) in terms of share price performance over 10 years and 11th in terms of net asset value performance.

Other trusts with higher weightings in the US have benefited from both a strong Wall Street and a rising dollar in recent years.

Ian Massie says the UK weighting has enabled the trust to deliver both a higher yield (currently 4.2 per cent) than most of its rivals and higher dividend growth – 16.5 per cent per annum over the past five years, compared with a sector average of 15.4 per cent. And this week's base rate cut and jump in London share prices makes the recent shift appear well timed.

The UK concentration means that the trust's 10 largest stocks are well known names. They are: British Gas, Lloyds, Grand Met, Shell, BT, Abbey National, NW Water, Smithkline Beecham, BAT, BTR. "Because of the size of the trust, we will tend to be invested in top 200 companies," says Massie.

Outside the UK, the rest of the portfolio divides between the US (5 per cent) Europe (2 per cent), Japan (2 per cent) and the Far East (1 per cent).

Edinburgh is also highly geared. Although its gross assets were over £1,066m on January 26, its net assets were £860m. At the moment, a major chunk of those borrowings are invested in gilts, which because of the current difference between long term and short term interest rates, gives a boost to Edinburgh's income.

Ian Massie has worked for Dunedin since 1985 and took over as manager of Edinburgh in 1989 from Grant Cochrane, who had managed the trust for 20 years. Massie trained as a chartered accountant and is a 36 year old Aberdonian.

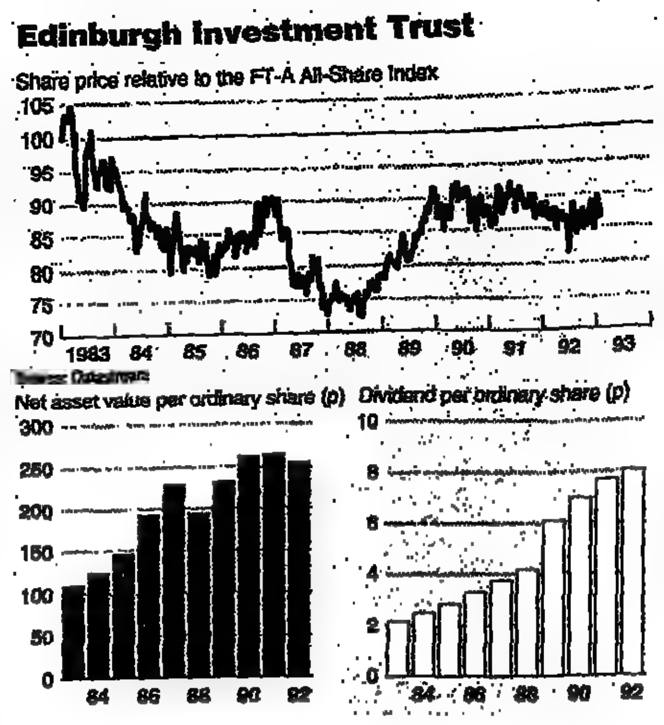
Massie stresses the importance of Dunedin's investment trust team – consisting of Brian Tait, Graham McGeorge and himself – which manages four of the five trusts in the stable. The Edinburgh-based Dunedin was formed in 1984 and now has £3.5bn of assets under management.

An investment group of senior managers decides on Dunedin's asset allocation and that is reflected across the board.

Massie says the trust follows a value investing strategy and has an in-house database which searches for undervalued stocks. However, he says the criteria are too complex to be explained in the context of an article.

EIT's UK bias means that it has been fully Pepable since January 1 and is the largest trust that can be held in Pep form. It has had some success in attracting private investors; the number of Edinburgh shareholders rose 20 per cent in 1992 and is 40 per cent up on 1990.

In some ways, Edinburgh now sits rather oddly in the international sector, since its overseas holdings are no larger than a UK income trust like Lowland (featured last week). But Hamish Buchan, analyst at County NatWest Wood Mac, says of the switch into the UK: "It takes a bold move to make you outperform" and if it succeeds, Edinburgh may get some of the attention it has been denied in the past.



■ Key facts. The trust had net assets of £860m and a market capitalisation of £739m, as of January 26. On that day, the nav per share was 290.4p, the share price was 257p, a discount of 11.5 per cent. The dividend yield is 4.2 per cent and the annual fee is 0.3 per cent.

■ Board. Ivor Guild, a partner of solicitors Shepherd & Wedderburn, is chairman of Edinburgh and has been since 1974. Other directors are: Grant Cochrane, a former manager, is non-executive director of LASMO; Peter Dunn also a director of Property Security Investment Trust; Sir David Nickson is chairman of Clydesdale Bank; Sir Robert Smith is chairman of Alliance Trust; Robin Young, a former director of Martin Currie, is also a director of Securities Trust of Scotland. New appointments to the board are Sir Chips Keswick, chairman of Hambros Bank and the Earl of Eglinton & Winton, chairman of Gerrard Vivian Grey.

■ Savings scheme and Pep details. The savings scheme has a minimum investment of £30 per month or a lump sum of £250. There is no broker's commission and the only cost is government stamp duty of 0.5 per cent. The Pep plan has the same minimum investments. There is a £30 set-up charge on the Pep and an annual fee of 0.5 per cent. Two free cash withdrawals can be made from a plan each year.

Philip Coggan

Reinvestment warning on trusts

KLEINWORT Benson and Fleming have written to shareholders in two investment trusts warning that they stand to lose everything if they continue to re-invest dividends from the trusts' high-income ordinary shares.

Nearly 3,000 ordinary shareholders in the Kleinwort High Income trust and 250 in the Fleming International High Income trust were sent letters before Christmas.

Kleinwort Benson said the practice of re-investing dividends from high-income ordinary shares would bear fruit only in a rapidly rising market, because the ordinary shares were paid out after the trust's zero dividend preference shares.

In a weak stock market, the high-income shareholders may not receive their capital back, a danger compounded if investors re-invest their dividends.

Ben Siddons, director of Kleinwort Benson Investment Management, said investors were offered alternatives to the Kleinwort High Income trust if they wanted to continue to re-invest dividends.

Siddons added: "The last thing we want is this black hole when trusts are wound up with people finding they haven't achieved the hurdle rates necessary and all the money goes to zero dividend preference shareholders. It could damage the reputation of the industry and the integrity of the product."

Fleming said that if the stock market produced consistently high returns, then reinvesting dividends for total return could pay off. But it was only fair to warn investors about the potential risk of ending up with a zero return when the trust was wound up.

The cases highlight the dangers of investing in split capital investment trusts if investors fail to understand the nature of the shares they choose and the assets which back them.

The Association of Investment Trust Companies (AITC) will try to persuade investment managers of member companies to adopt a new code of practice when launching split capital trusts, entailing more disclosure of the potential risks.

Damian Reece

Making sense of chaos

***Bernice Cohen** says charts dispel the casino image of share investing*

MOST INVESTORS plan their decisions purely on criteria gleaned from financial data relating to a company's performance. They disregard charts as voodoo magic.

In contrast, technical analysts seek guidance on probable future share price movements from market statistics, supplemented by charts where recurring patterns provide buy and sell indicators.

As a dedicated DIMI (Do-It-Myself Investor), planning my portfolio from my own research efforts, I prefer a belt and braces approach. Fundamental and technical analysis should be complementary tools in a fully-rounded investment system.

When asked, "Why bother with charts?" technical analysts often give defensive replies. Charts, they suggest, reveal the human psychology of the struggles between buyers and sellers in a competitive market under the twin stresses of greed and fear. Yet I believe the central rationale for charting stems from the possibility that charts reflect the presence of chaos in financial markets.

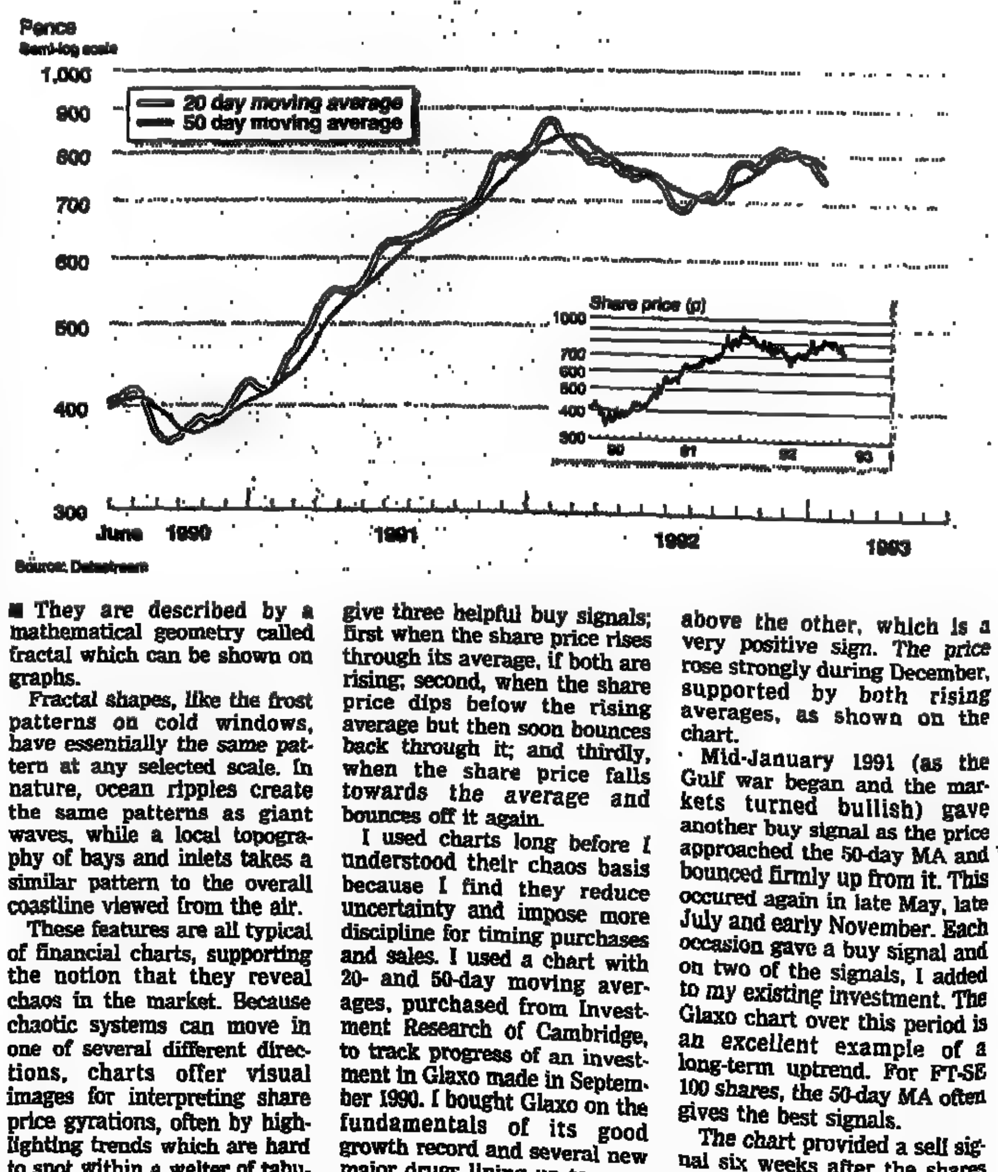
Observing the everyday mayhem surrounding most financial markets, the suggestion that they are chaotic makes sense, at least superficially. However, chaos is actually a formal, relatively new science centred on mathematics. If it could be convincingly shown to apply to financial markets, that scientific base would lend respectability to counter the casino image. Intriguingly, most chaotic systems share a group of typical characteristics which are instantly seen to apply to unruly stock markets.

■ They are highly complex systems comprising numerous interacting elements.

■ They are inherently unstable with continuously changing behaviour.

■ It is extremely difficult to predict their future conduct since numerous different outcomes are equally possible.

■ They are intrinsically irregular and prone to trends and cycles.



■ They are described by a mathematical geometry called fractal which can be shown on graphs.

Fractal shapes, like the frost patterns on cold windows, have essentially the same pattern at any selected scale. In nature, ocean ripples create the same patterns as giant waves, while a local topography of bays and inlets takes a similar pattern to the overall coastline viewed from the air.

These features are all typical of financial charts, supporting the notion that they reveal chaos in the market. Because chaotic systems can move in one of several different directions, charts offer visual images for interpreting share price gyrations, often by highlighting trends which are hard to spot within a welter of tabulated statistics. They help to sift out vital information from background noise.

This logic underpins the use of moving averages (MA). By smoothing out local irregularities, they expose the underlying trends. And because they derive from the same price series, they are fractal, with similar structure across every scale - for five, 20, 50 or 200-day MAs.

Moving average calculations give three helpful buy signals; first when the share price rises through its average, if both are rising; second, when the share price dips below the rising average but then soon bounces back through it; and thirdly, when the share price falls towards the average and bounces off it again.

I used charts long before I understood their chaos basis because I find they reduce uncertainty and impose more discipline for timing purchases and sales. I used a chart with 20- and 50-day moving averages, purchased from Investment Research of Cambridge, to track progress of an investment in Glaxo made in September 1990. I bought Glaxo on the fundamentals of its good growth record and several new major drugs lining up to come to market this decade.

During the following six months, I studied technical analysis more thoroughly and realised I had bought my Glaxo holding before the chart signalled a buy. During September the share price lay below the 50-day MA. The buy signal came in October when the 20-day MA cut up through the 50-day MA, known as a golden cross, and from late October both averages were rising, one above the other, which is a very positive sign. The price rose strongly during December, supported by both rising averages, as shown on the chart.

Mid-January 1991 (as the Gulf war began and the markets turned bullish) gave another buy signal as the price approached the 50-day MA and bounced firmly up from it. This occured again in late May, late July and early November. Each occasion gave a buy signal and on two of the signals, I added to my existing investment. The Glaxo chart over this period is an excellent example of a long-term uptrend. For FT-SE 100 shares, the 50-day MA often gives the best signals.

The chart provided a sell signal six weeks after the shares peaked in mid-January 1992, when for the first time in 17 months, the price fell below the 50-day moving average, which had stopped rising.

Amid all the gloom about manufacturing in Britain, the pharmaceutical industry is a great success story. "Don't sell Glaxo" were the dying words of a father to his daughter in an Anita Brookner novel. With its strong fundamentals, it could pay to watch the catch for another buy signal.

هكذا من الأصل

Cheap cover for classics in the garage

Scheherazade Daneshkhu looks at insurance for classic cars

CLASSIC car enthusiasts are a special breed. That at least, is the conclusion of their insurers who offer a different type of policy for the proud owners of a much-loved Jensen or Alfa Romeo "Spider."

The main attraction of this type of insurance, provided by brokers and many of the big insurance companies, is the much lower annual premiums. Martin Cooke of Bain Clarkson insurance brokers (0384-455011), estimates that someone owning a Ferrari or Bentley, requiring annual insurance premiums of £3,000-£4,000 under a standard policy, would find them reduced to £800-£900 under classic car insurance.

To enjoy the lower premiums, classic car owners are expected to cherish their car and not use it for mundane purposes, such as transport. "The average owner of a collector's car will keep it in a garage, look after it carefully and will not use it for everyday driving," said Mike Chamberlin of John Scott and partners (081-977-9131), one of the first brokers to specialise in classic and vintage cars. These conditions mean reduced risk, which is why the classic car insurance market can insure expensive cars relatively cheaply.

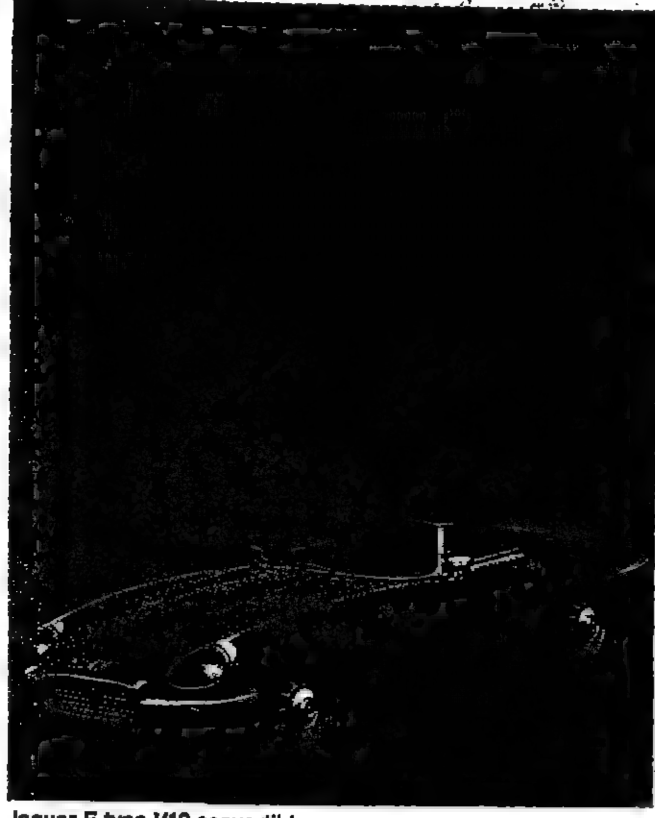
Classic car insurance differs in two main ways from standard policies which use bandings for cars depending on model, engine size and the age of the driver.

Instead, the agreed value of the car and the amount of driving the car is expected to do are the basis for theinsurance

Norwich Union's Collectors Car policy (0603-622200), will cover the policyholder against accident, damage and total loss on an agreed value basis. "Premiums are worked out on the value of the car rather than its group rating," said James Duffell of Norwich Union. "Since a classic 1950s car, saloon or sports car are all expected to be driven in much the same way, only the value of the car is relevant."

An Alvis, a Bristol or an Aston Martin would all fall into the same insurance bracket if it was agreed their value was the same.

Settling on a value can be difficult in a market which has not found itself immune to the problems of recession. Those who bought at the top of the market in 1989, when prices for some classics had quadrupled in a few years, found that the value of their cars fell by as much as half. For this reason, the value of the car may need to be reassessed at intervals.



Jaguar E-type V12 convertible

Since the car is not expected to be used daily, premiums are based on maximum mileage – which is not usually a consideration under a standard policy. The most common mileage band is for a maximum of 3,000 miles a year, although some policies allow up to 4,500 miles or even 6,000 miles. Unlimited mileage policies may be available but the cost of premiums will be much higher. Bain Clarkson, for example, will offer standard rates but with the insurance being on an agreed value basis.

The car does not have to be expensive to qualify for classic car insurance – Morris Minors and Sunbeam Alpines are common risks – but it must be old. "The car must be at least 20 years old, though we do make exceptions, for example, for Morgans," said Peter Fry of KGM Motor Policies (081-530-7351), a Lloyds syndicate which is another veteran of the classic car market.

Bain Clarkson will also insure younger cars but for higher premiums. The annual premiums for a 1980 Mercedes 450 SL, with an agreed value of 29,000 will, for example, be £300 for a 3,000 mile maximum and £460 for a maximum of 6,000 miles a year.

Young drivers are not welcome. Most classic car insurers will base premiums on a minimum of 30 years for the driver. Cover may be available for those who are younger for higher premiums.

Annual premiums for a classic car worth £5,000, such as a Morris 1000, insured for a maximum mileage of 3,000 are in the region of £110-£115 under classic car insurance. KGM estimates that for the same mileage, annual premiums for a fully comprehensive policy on a £10,000 car (such as a 1970 E-type Jaguar or a TR2) would be £170 and on a £20,000 car (a Mercedes 190 SL, for example) £253.

The market has been affected by the rise in crime which has led to steeply increased premiums in the motor insurance industry as a whole. Bain Clarkson's Cooke says that for the first time in 20 years, classic car insurers have been obliged to raise premiums by an average of 25 per cent this year because of increased theft. In addition, insurers are beginning to insist on lock-up garages for cars and are stipulating that the policyholder should have another car for normal daily driving, with the classic car reserved only for "social, domestic and pleasure purposes."

Fry's KGM says that it tries to avoid "off the road" cover, when cheaper insurance is provided for the car which is not being driven. Norwich Union will still provide off the road cover, which includes accidental damage, loss or damage by fire or theft, particularly for those who are doing restoration work to the car.

What if the worst happens and your cherished Bugatti has a crash and is deemed a write-off? "Sometimes a car has been passed on from father to son through generations and the owner will want to retain and restore the car whatever," says Chamberlin. The best classic car insurance policies should have a salvage clause allowing the owner to retain the salvage after an accident. John Scott has arrangements with two insurers: under its Lloyd's scheme, the settlement would be limited to 80 per cent of the insured value while a scheme underwritten by General Accident will allow the owner to have the car repaired and reimbursed up to the insured value.

Tanks but no thanks

THE LEASE to my flat requires me to contribute to the costs incurred by the landlord in "all provision of services referred to in the second schedule." The second schedule refers to:

■ The maintenance of the main structure and, in particular, the roof, main walls and timber foundations and main drains, gutters and rain-water pipes of the building, including all party walls and structures, sewers or drains used in common.

■ The maintenance of the gas and water pipes, drains, sewers electric cables and wires *and apparatus*, in and under the building, and used in common.

The water tanks on the roof were replaced recently and I am *being asked* to contribute to the cost. In 1987, I provided my flat with its own independent water tanks. Since then, I have not used water from the tanks on the roof. Am I required to pay my contribution or can I decline to do so because of the particular wording of the clause above?

■ You are still required to make the contribution for which the lease provides, even if you have opted out of using the common tanks. The position is the same as if the owner of a flat on the first floor decided to use the stairs only and then sought not to contribute to lift maintenance.

The position would be different if there were only two flats in the building.

Write-off or profit?

IF A BANK agrees to accept less than the total amount of an overdraft or loan due to it by a partnership, must the amount written off by the bank be added to the partnership profits for income tax purposes?

■ Only to the extent that the amount written off represents bank charges, interest etc for which tax relief has been allowed already.

Such items are caught by section 94 of the Income and Corporation Taxes Act 1988 under the heading of "Debts deducted and subsequently released." It states:

"Where in computing for tax purposes the profits or gains of a trade, profession or vocation, a deduction has been allowed for any debt incurred for the purposes of the trade, profession or vocation, then, if the whole or any part of the debt is thereafter released, the amount released shall be treated as a receipt of the trade, profession or vocation arising in the period in which the release is effected."

Tax relief on a farm

AN ELDERLY spinster owns and farms 250 acres of land in Scotland. Her nearest relatives are two nieces, both in their twenties. Neither would be able to continue the business but they would stand to inherit any money on the death of their aunt. The farm would be sold.

Would the money realised be eligible for inheritance tax relief at 100 per cent and would capital gains tax relief be passed to the nieces, or do the concessions benefit only sons and daughters of a farmer?

■ For IHT purposes, and provided certain conditions were met, 100 per cent agricultural relief would be available on the agricultural property on the death of an aunt where she both owned and farmed the property.

The conditions are that the property must have been either:

(a) occupied by the aunt for the purposes of agriculture throughout the period of two years ending with the date of death; or

(b) owned by the aunt for a period of seven years ending with the date of her death, and occupied throughout that period by her or another person for the purposes of agriculture.

The property would not be subject to CGT on death and would, in fact, be revalued for CGT purposes so that the base value of the property would be revised to the value as at the date of death.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Keeping a fair rent

I HAVE HAD a protected tenancy with a private sector landlord for the past eight years. The property now needs a substantial amount of money spent on it, including a modern heating system, to which the landlord is unwilling to contribute. How can I ensure that any improvements I make to the fabric of the property do not result in the rent officer determining a higher "fair rent" when he next inspects the property?

■ You should write to the rent officer asking him to note on the file that you are effecting improvements, as the landlord refuses to do them, and give a brief description of what they are and the cost.

Two companies struggling from the Belfast ruins

Jimmy Burns visits a business park on the dividing line between catholic and protestant

THE FARSET Enterprise business park in West Belfast backs off against an 18ft high fence separating two communities: protestant and catholic. Its front gate gives on to the Springfield Road, a notorious killing ground for the terrorists on both sides.

Eight years ago the site was a piece of open ground: the houses that once stood there bombed to ruins. It became a community centre, and subsequently a business park, as a result of government investment aimed at healing the wounds of sectarian division.

Farset is one of 26 business parks in Belfast, but the only one established where the the two communities meet. It is something of a test case for small businesses struggling to survive against the background of recession and a relentless campaign of political violence.

Since the park opened three and half years ago, three small businesses have failed. But among the dozen that have survived, two in particular have shown what can be achieved when all the odds seemed stacked against them.

Northern Ireland Fireworks has managed to carve a business niche with full government approval even though under Northern Ireland law the sale of fireworks manufactured locally is banned.

It is run by Danny Davison, a 40-year-old former lorry driver who worked part-time, gathering experience of fireworks in companies in the UK and the US. In November 1990, Davison approached the Local Enterprise Development Unit LEDU (the goverment backed small business agency) for a £6,000 grant, and the Farset Business Park, which draws some if its funds from the International Fund for Ireland, for a further £5,000 low-interest loan (6 per cent repayable over two years) to set himself up as Northern Ireland's only local "supplier of display kits and operator of fired shows."

A further £2,000 came from Davison's own savings and that of his partner.

Davison imports his fireworks from England and mainland Europe under licence and then arranges their display with the approval of the security forces and the Northern Ireland Office.

In the first year of trading in 1990/91 turnover was £24,000, just below the target of £25,000. In 1991/92 the company's order book expanded with turnover to £52,000, above the year's target of £50,000. A business that began with two full time staff, and two part-time staff, now employs 19.

Davison says the company is successful because: "What we try and give the public is something that is spectacular, but colourful and peaceful at the same time. There is no danger and the whole family can enjoy it. It makes a change from bombs."

He works from a ramshackle two floor hangar, filled with bits of cardboard, and rough sketched lay-outs. Here Davison tailors his display according to the budget of the customer, working out the position of the fireworks, the sequence of their explosions, on frames which range in height from 50ft to 3,000ft.

The company arranges small displays for children's parties and club events, but its main income is generated by big public displays arranged for borough council festivals. Its customers have included staunchly loyalist organisations in the Shankill Road, as well as catholic charity events in southern Ireland.

Among its more spectacular projects was the organisation of the firework display for Belfast's Christmas celebrations at the end of 1991.

Politics is never far from this potentially explosive business. "I know that if I moved this business to the Shankill some of the boys who work with me wouldn't come," says Davison.

And yet management of the business park has a policy of picking its tenants according to strict financial criteria.

Charlotte McFarlane, the business park's administrator, says: "We don't ask people what religion they belong to here. A business is a business or its not."

Its a philosophy which Davison shares. "We straddle both sides of the community here," he says.

Bob Jenkins's flat Midlands accent is scarcely audible above the din of his workshop, but there is no doubting his determination to make his presence felt.

"I've got the distinction of being the only Englishman who stayed on. I like the place," says Jenkins.

A decade ago Jenkins worked as a quality engineer for the De Lorean sports car plant in Belfast. When the plant closed in 1983, some of the workers returned to England from where they had been recruited initially.

Jenkins married a local woman and took a job with United Technologies in Derry. He subsequently sought employment in England, but not for long. In the mid-1980s the couple returned to Northern Ireland for an event that was to change the pattern of their lives: the birth of their child Laura Lee.

When a spinal tumour left the child paraplegic Jenkins decided to put all his efforts into using his skills to develop orthopedic equipment for the physically handicapped.

The idea for the company with his daughter's name arose out of Jenkins' links with Belfast's specialist Musgrave Park Hospital which adapted a wheelchair for Laura Lee.

Jenkins recalls: "At the time I was out of a job. One of the consultant orthopedic surgeons who knew I'd been an engineer said, 'There are various products the hospital is developing, why not start up your own business and see if you can help out?'"

Jenkins in 1989 was among the first small business men to enter Farset. He obtained a capital grant of £5,100 covering 50 per cent of the cost of new plant and machinery and an employment related grant of £8,300 from LEDU. He also got a £3,100 grant from the Government's Making Belfast Work initiative specifically targetted at businesses in deprived areas of the city.

His company's turnover was £10,000 in 1990/91, below the £12,000 target. In 1991/92 turnover was £17,000 below a target of £22,000.

In his workshop Jenkins has been developing a range of products for disabled people ranging from special potty chairs and toilet training aids for children to suspended arm support systems for muscular dystrophy patients.

But Jenkins admits that struggling to stay financially afloat in the middle of the recession has not been easy. He is about to go into partnership with another larger company at Farset which does structural steel and ornamental cast iron work.

"I hope to have the cash flow necessary to research and develop new products over a longer period, " says Jenkins.

"The best small businesses can hope for in this society is to survive. I may not have grown much, but I'm still here. That gives me a sense of achievement."

■ *Northern Ireland Fireworks and LauraLee Medicaids are based at Farset Enterprise Park, 638 Springfield Road, Belfast. Telephone: Belfast 242373*

A business with sparkle: Danny Davison of Northern Ireland Fireworks which now employs 19

As They Say In Europe

Celebrating with an old mistress

Do you remember Sarajevo? James Morgan explains a lovers' tiff

THE FRENCH press has been celebrating the 30th anniversary of friendship with Germany. It has done so in the manner that a mistress might celebrate the 30th anniversary of an affair in which the man has not done the decent thing.

Nowadays, Germany spends even less time with its lover, devoting more attention to its poverty stricken cousins. As a result, perhaps, it willingly pays billions to maintain that jewel of the relationship, the French franc, in pristine condition – just to keep the old girl quiet.

Le Monde likes this but is critical of the way Germany organises its domestic affairs: "...the great neighbour beyond the Rhine is even renouncing financial and budgetary balance which is foreseen in the Maastricht Treaty. Germany is no longer worthy of the model it created."

The rest of the press clings to the exchange rate as the symbol of the Franco-German motor behind the construction of Europe, even though it is driving France into the ground. *Le Figaro* remarked, wistfully, that the balance of forces since the creation of the partnership had been reversed, "which should not make France forget Germany has need of her."

This is not wholly appreciated in Germany. The publicity given to the anniversary was far less there than west of the Rhine. And signs of hostility are growing. A refrain of the *Frankfurter Allgemeine Zeitung* these days is that France is not pulling its weight against Serbia. It publicises Bosnian politicians who say that Paris (and London) supports Belgrade. This week the chief fulminator of that powerful paper, Johann Georg Reissmüller returned from his long hagiographic hibernation in Croatia, to accuse France, along with Serbia, of having disrupted the twentieth century.

"The successful murder attack against the heir to the Austrian throne was the prelude to the first world war in which France and Serbia stood side by side."

Surely there was a bit more to the 1914-18 affair than that.

The account continued with how, in the inter-war years, Serbia tried to dominate the south Slav kingdom. France promoted it as a counterweight to Italy, actively promoting expansionism. In the second world war, "Tito fought against Hitler and Mussolini because he wanted a Bolshevik Yugoslavia." The subsequent "Tito-state" rivalled the Soviet Union in brutality. And when President Mitterrand fetched up in Sarajevo last June it was certainly not to stop the Serbs.

As an account of the past 80 years, Reissmüller's story leaves a few gaps – such as the Austrian ultimatum to Serbia in 1914 which was designed to start a war. Then there was the creation by Germany of the Croatian fascist state in 1941. And, of course, Tito was not a Serb – he was half Croat and half Slovene – and the Serbs knew it.

It is one thing to argue that the men who run Serbia today are horrible and mad. It is another to offer passionate support to one side or the other in this affair. In the week where the Croats broke a ceasefire, killing two French UN soldiers in the process, the German papers said that was all they could do in the circumstances. Perhaps someone in western Europe could face up to this question: do the leading members of the Community have different foreign policy interests or not?

The Germans, it seems, have those of 1914, at least when seen from the perspective of Reissmüller. If they have not changed, have those of France and Britain? And, the most vital issue of all, what will Russia do if Germany sets out to teach Serbia a lesson?

All this occurs in the week when the US appears to have accepted that Germany and Japan should become permanent members of the Security Council. Why not, if Germany, at least, is rediscovering the notion of the national interest? The Security Council has been getting rather dull.

Britain has the fewest problems in dealing with with this evolving situation. The French papers rightly believe that Britain has returned to a kind of isolationism and ask where this leaves France and its friendship with Germany.

Writing in *La Tribune Desfossés*, Philippe Labarde says: "Who has profited most from this strange marriage? According to the polls in each country it is always the other."

He adds, hopefully, that the essence is that France and Germany believe in the same model of society. The two draw closer together to pass through hard tests. "This is in order to forget that less than 50 years ago it seemed to them both to be just as evident that they had to make war."

It is a tedious cliché to remark on the nightmarish coincidence that it should be Sarajevo that is at the centre of so many anxieties. But the parallels with 1914 run deeper: the city could again symbolise the real differences that exist between France and Germany. Surely nobody in Germany can want to pick a fight over that all over again...

■ *James Morgan is economics correspondent of the BBC World Service.*

What a laugh!

From Page I

ble of comedians, notably Julian Clary, have managed the transitionsuccessfully but Cresswell is suspicious of writers. "They become prima donnas. They all want to get into films." Cresswell is happy packaging programmes of stand-ups to tour the country, sponsored by beer companies such as Holsten. The brewers have been quick to appreciate the link between the uninhibited, anarchic atmosphere in a comedy club and selling lots of drink.

While alternative comedy now is mainstream, it still looks to the clubs for constant revitalisation. Little of the wealth has trickled down there; they remain, in the words of Kim Kinney, "the factory floor." Kinney manages the Comedy Store, an underground shoe box in Soho which crams in 240 people and, until recently, was unwilling to expand. The Comedy Store gave a first chance to Elton, Mayall, French and Saunders, Alexei Sayle, and more. Now, perhaps jolted by the success of Jongleurs – which, last month, opened another outlet in a former rock club, Dingwalls, at north London's Camden Lock – it is moving to larger premises nearby.

Jongleurs was spurred by events in the US, where new comedy is a big business: two cable channels concentrate on comedy and *Catch a Falling Star* has established 20 comedy clubs around the country. Like the Comedy Store, Jongleurs was content for years to pack its club in Battersea with yuppies. Now, it aspires to expand into the regions. As proof that new comedy is supreme, it is keen to book the older generation of comedians – the Ronnie Corbetts, the Dave Allens and the Billy Connollys – if they are prepared to perform for a percentage of the door money. But the Comedy Store and Jongleurs are not the only important venues in London: there is also the East Dulwich Tavern which now also runs the 350-seat Civic, created from a moribund community centre in Peckham.

'The hysterical crowd saves Abba and dooms Buck's Fizz'

Many are suspicious of the changes. To them, comedy is being used as an opiate rather than as a weapon to speed the revolution, and as a way of persuading people to laugh their way through the recession. What began as anarchy and an anti-Establishment tirade – the riposte of radical youth to the seeming inevitability of Thatcher's Britain – has been consumed by show business. Some keep the faith, though. Marxist comedian Jeremy Hardy prefers to perform at community arts centres: for him, the clubs have become a night out for hen parties and celebratory young professionals.

Much of the humour is indeed escapist and whimsical. Here is comedian Hattie Hayridge overcoming her fear of air travel: "There is a one in a 100m chance of being on a plane with a bomb on board. It's one in 400m against being on a plane with two bombs on board. So, I always carry one with me to improve the odds." Even more of it is scatological: Arthur Smith has built a good living on a celebrated routine which begins: "Whatever happened to white dog shit?" But the insatiable demand for new talent, for variety, still breaks through.

Hill is likely to become a star because he is safe, charming and funny. In the clubs, he will leave behind acts like Woody Bob Muddy, who recreates a Roman circus by whipping up the audience to a frenzy as it shouts out which old albums should go to "Record Heaven" and which should be nailed to a board and smashed to pieces by his silver hammer. As the hysterical crowd saves Abba and dooms Buck's Fizz, you admire the skill with which alternative comedy has enabled eccentrics to share their secret worlds and the British to shake off their inhibitions.

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PROPERTY

Radon – the natural gas that can kill in the home

*Five counties have particular problems but there are plenty of ways to head off the potential dangers. **Gerald Cadogan** explains how*

TESTS for a natural radioactive gas called radon are being made at 24 houses in my Northamptonshire village and 700 in the surrounding district. Radon increases the chances of lung cancer, but it was almost unknown to most people until quite recently. Is it really a danger? Will it affect the value of your house? What can you do about it?

For most of the country, the risk is negligible. You are in slightly more danger if you live in certain areas of Cornwall, Devon, Somerset, Northamptonshire and Derbyshire. Yet, even in these "hot" spots, the level of radon can vary greatly between one house and its neighbour. And in "safe" parts of the country, the National Radiological Protection Board (NRPB) is surprised constantly to find isolated cases of a high radon count.

Radon is emitted by the trace levels of uranium that occur in soil and rocks (and bricks and concrete made from them). Fresh air disperses it, but it can accumulate inside a building or down a mine (research into its dangers began with the case histories of uranium miners and scientists in the early days of nuclear physics). When breathed in, it deposits alpha particles in the lungs.

Dr Robert Stoddart, senior lecturer in pathology at Manchester university, calls these "seriously radioactive – an unpleasant form of radiation." It is, however, only one of many carcinogens. As Stoddart points out: "We all live in a soup of them, to which we are variably susceptible."

Many things can trigger a cancer - even bracken - and it is hard to point the finger only at radon. The factors that matter are the local geology; how your house is built; and your own body, which might – or might not – proof you against any amount of radon radiation.

If you live in or near an affected area, it is sensible to check the level in your house. Ask the NRPB to send you plastic monitors, or your district council to arrange this for you. There is no charge. But remember that radon does harm only through exposure over many years. A holiday in Cornwall is not going to give you cancer.

Radon enters houses through cracks in floors and walls. The uranium-bearing granite country of Devon and Cornwall has been known for some time as a hot spot, as is similar terrain in New Hampshire and Sweden. But not all granite is dangerous.

Cumbria is safe; and even in Cornwall, where about a fifth of the houses are above what the NRPB calls the "action level" – when something must be done to reduce the concentration – granite walls and fireplaces do not emit much radon. Now, though, the list of affected areas has expanded to Somerset, Derbyshire and Northamptonshire, with their limestone and sandstone. But Somerset seems rather better off than the other two counties where more than 10 per cent of houses are above the action level in west Derbyshire, and around Northampton and Kettering. In neighbouring north Oxfordshire, NRPB tests have confirmed a local council's soil gas survey which suggested a potential radon problem in some houses.

'Radon causes harm only after years of exposure. A holiday in Cornwall won't hurt'

The board estimates that around 100,000 houses in the UK are above the action level, although the problem decreases markedly as you go east. And, luckily, the great conurbations are not in radon zones, although London has its own geological problem of shrinking clay And subsidence. In Wales, there is a slight concentration in Powys; and, in Scotland, at the north-east tip and on Deeside. Perhaps the Queen will put in monitors at Balmoral.

The NRPB is making a detailed survey using postcodes to isolate houses in groups of 15 or fewer. It sends two monitors, to be placed in the main living room and main bedroom for three months. On their return, the board analyses the readings, enters them into its data base and informs you. The whole process takes about five months. District councils also are eager to know your readings so they can prepare their own detailed local radon maps (they promise to keep the results as confidential as if they were about HIV).

Double glazing and insulation have increased radon levels because they stop the gas dispersing. And it accumulates more in winter, when windows are shut. Open fires, and open windows in upstairs bedrooms (but not downstairs), increase the amount as they pull air upwards through the house. Draughty old houses are an effective antidote; so are those with suspended floors with air circulating beneath. Cellars may increase the amount, as they have a greater area (walls and floors) exposed to the soil.

If your floor is solid, you can instal a sump underneath, with pipes and a fan to extract the radon-carrying air and send it up to disperse at roof level. If the floor is suspended, you can seal it (although, if it is wooden, this might increase the chance of dry rot).

Improving the ventilation by more air bricks is another option. Or use a fan to blow fresh air into the house (although this is effective only up to two or three times the action level). Try opening more windows downstairs and do not use any extractor fans in kitchens, bathrooms and lavatories.

You can also seal unused chimneys and give up open fires (including gas fires that look as if they are burning coal). At the end of all this, repeat the monitor tests to check how successful you have been.

Make sure your builder knows about radon. Ask your local authority about (means-tested) house renovation grants, or discretionary repair grants in Scotland; the environmental health officer should be helpful.

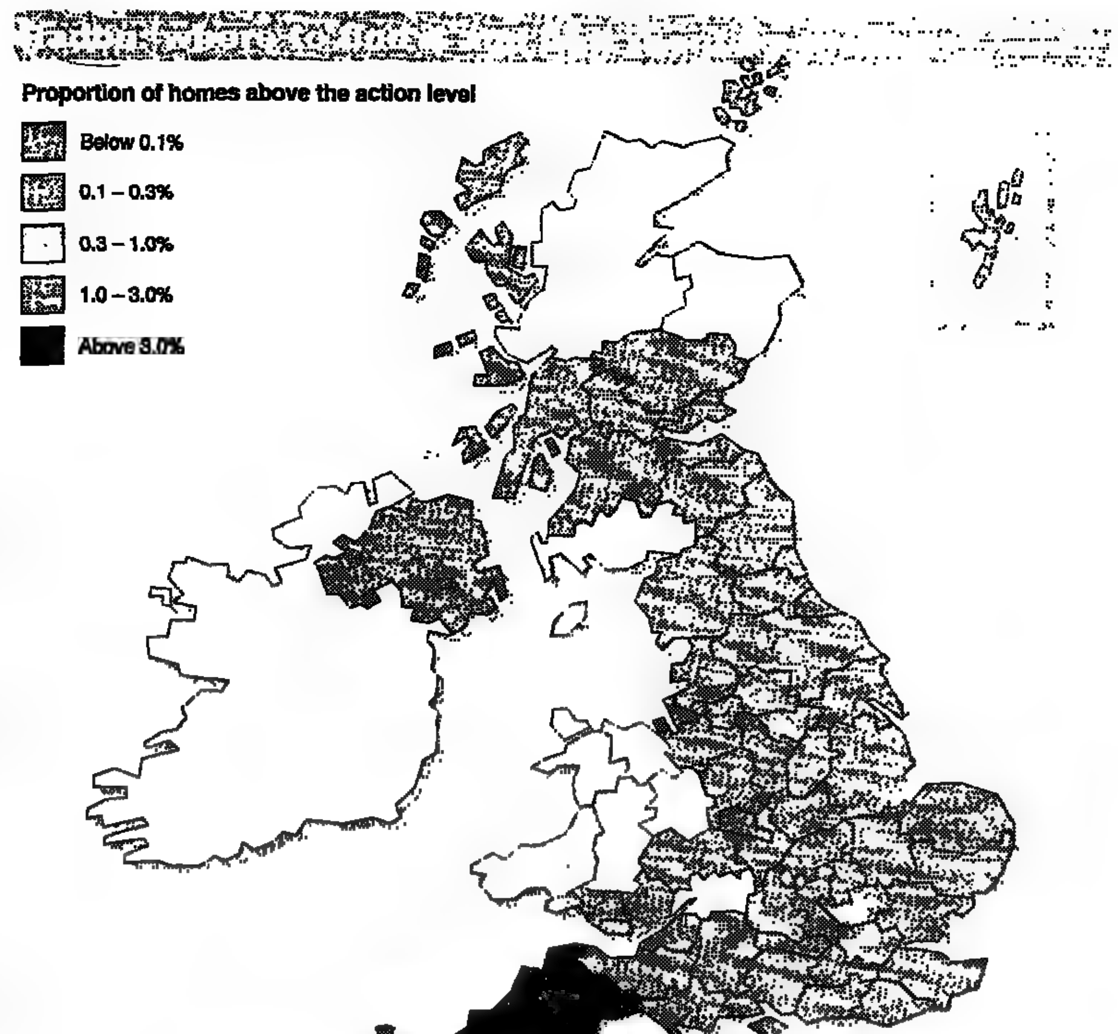
If you are building in an affected area, the special building regulations for Devon and Cornwall are extended to the other three hot counties from February 1. In the most-affected part of Northamptonshire, this will mean putting a membrane in the floor, joining it to the wall and arranging space for a sump and fan. After a year of living in the new house, it can be tested to see if they are needed.

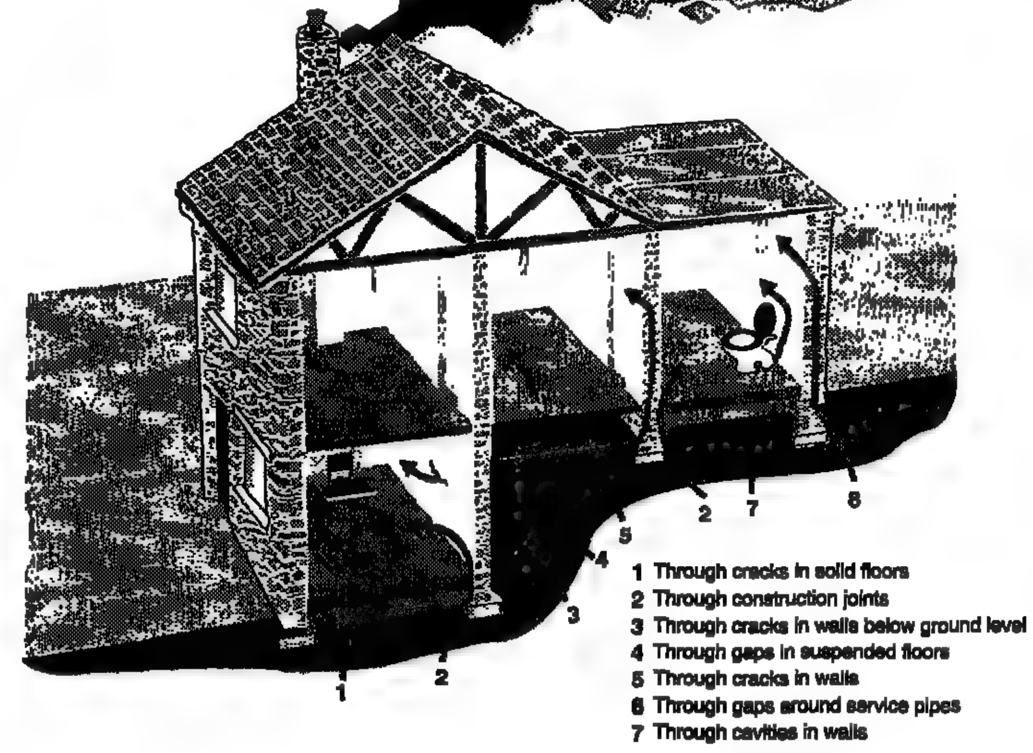
If you are buying in a radon zone, ask the seller for the results of any tests. But do not let radon deter you from the five hot counties. They are marvellous places in which to live. And, as you know the risks, they should not affect the price. The reaper is waiting to scythe us all, anywhere and any time.

■ *The Householder's Guide to Radon, from the Department of the Environment, is helpful. Enquiries to Room A518, Romney House, 43 Marsham Street, London SW1P 3PY.*

The Building Research Establishment, Garston, Watford WD2 7JR, publishes Radon: Guidance on Protective Measures for New Dwellings, at £8. It includes lists of parishes and maps (obtainable from the BRE Bookshop – 0923-664 444), The BRE also has a Radon hot-line (0923-664 707).

The Radon Survey of the NRPB is at Chilton, Didcot, Oxfordshire OX11 0RQ.





Listed building legislation

MY ARTICLE on January 9 mistakenly reported that Simmons & Simmons and Jackson-Stops says in its *Guide to the Legislation Relating to Listed Buildings* that the law requires such buildings to be maintained.

Owners may, however, be served repair notices or a compulsory purchase order if the building is becoming derelict. After a fire, there is no explicit obligation to rebuild, but restoration work would usually require consent.

PERSPECTIVES

Of rice and men: the thoughts of a mobster

***John Plender** is given a background briefing on Japan from an unlikely source*

IT SEEMED, in a well-worn phrase, to be a good idea at the time. I was making a television programme on Japan for a series on business and economics. The *yakuza*, Japan's notorious mobsters who sport neck-to-ankle tattoos, appeared to be cropping up in one political or financial scandal after another. Clearly, meeting a mobster was essential to a proper understanding of the financial crash that has rocked the country.

Misgivings set in as we approached the Kyoto headquarters of the man who is ranked by the police as Japan's fourth-biggest gangland boss. Our charming and super-efficient Japanese fixer was becoming more nervous by the minute. Matters did not improve when we were whisked into a building by a swaggering character in a brown suit who sported a truncated little finger – a penalty the *yakuza* impose on themselves when they commit acts of disloyalty. Young thugs in blue uniforms watched as we lugged in our equipment.

Then came the first surprise – or perhaps I should say test. The boss, Tokutaro Takayama, was not ready to be filmed. As we waited, two of the men in blue appeared with a substantial meal for us. We had finished lunch only half an hour before. No problem here for a camera crew, since the first rule of their trade is to seize every chance to eat because they never know when the next will come.

For less robust seekers after truth such as reporters, producers and directors, it was another matter, especially since our Japanese colleague – now sweating profusely – was urging us to behave with all possible decorum. We prodded our noodles, wondering how the *yakuza*, who regard themselves as the guardians of traditional Japanese values, dealt with bad table manners.

The next surprise came with the boss himself. A splendid pair of sideburns apart, there was little to distinguish him, in his spacious office, from the chairman of any large Japanese corporation. Perhaps the oversize statue of Napoleon beside his desk was a bit of a give-away but, in most other respects, Takayama had absolutely nothing in common with Al Capone. For a start, he had written a book, full of warnings about the condition of modern Japan.

Nearer to the Mafia, maybe? Absolutely and emphatically not, he insisted; the *yakuza*, unlike the Mafia, were patriotic and generally supportive of government. But with reservations. To my amazement, this gangland boss proceeded to harangue me about the awfulness of the politicians' failure to liberalise the rice market.

The basis of Takayama's objection was that the politicians were making life needlessly expensive for the Japanese people. Perhaps, ideologically speaking, that sat neatly with the *yakuza's* romanticised view of themselves as latter-day Robin Hoods (no pun in Japanese). It was certainly sound economics, showing a firm grasp of the law of comparative advantage.

If Takayama sounded like a free market businessman, it was because this was – in part, at least – how he saw himself. His smart office block turned out to contain a boardroom, a lecture theatre, gym and kitchen, plus a dormitory for the blue-clad apprentices. There were some tacky features: a giant stuffed polar bear in a glass case outside the boss's office, and a battery of electronic surveillance equipment to monitor what was going on outside. But, in most other respects, Aizu Kotetsu-kai, as the outfit was called, had the trappings of a mini-Hitachi or Toyota.

The reason the *yakuza* are able to maintain such offices openly is that the Japanese, in their bizarrely pragmatic way, have privatised much of the law and order process. Since the days of the Tokugawa Shogunate, the feudal period which ended with the Meiji restoration of 1868, gangsters have helped the police keep violence off the streets. In the post-war period, these outsiders were used by businessmen to intimidate unions and collect debts. Politicians used them as bodyguards and sought their organisation's votes and money.

The free market ideology does not, however, extend fully to the *yakuza's* own activities. The trade-off with the police was that the big crime syndicates would keep non-syndicated crime under control. In other words, it operated in much the same heavily regulated way as Japan's industrial cartels. Only in the bubble economy of the late 1980s did things get out of hand as the gangs started to rig share markets, deal in property and shoot each other in the streets.

In spite of their unwholesome activities in extortion, gambling and prostitution, the *yakuza* were tolerated as part of the system so long as the system itself appeared to deliver the goods. And that was Takayama's problem. Since the bursting of the Japanese bubble, people are disillusioned with a system that has wiped out much of their savings while the big shots – including politicians, big businessmen and *yakuza* – have enjoyed considerable protection from loss.

The public also has been enraged to discover that unelected *yakuza* may have played a key role in making Noboru Takeshita prime minister in 1987; he was forced to resign later over a share scandal. So the politicians have been forced to clamp down on gangland with the "Law to Prevent Unjust Action of Violent Organisations," which took effect last March.

The *yakuza*, says Takayama, have been made the scapegoats for the politicians' misdeeds. "They've been totally disrespectful of our rights," he complained. And he has been subjected to what, in Japan, is the most unspeakable form of ostracism: he is no longer allowed to be a member of a golf club.

FOOD AND DRINK

Grand restaurant with a past

***Giles MacDonogh** traces the eventful history of Horchers, now in Madrid but once of Berlin*

TO THE unsuspecting diner, Horchers could be just about any grand Madrid restaurant. Closer examination, however, might give some indication of its long and eventful past: the Meissen figurine on the table representing a Prussian dragoon from Frederick the Great's time; some German prints on the walls; and, better still, the menu with its smattering of dishes of Germanic origin. There is lots of game, but game is game. What about matjes herrings in cream with apples? Or wiener schnitzel? Or baumkuchen?

Horchers' story begins in 1905, not in Madrid but in the west end of Berlin. The original premises were at 21 Luther (now Martin Luther) Strasse. At first, Gustav Horcher's wine restaurant was overshadowed by the great hotels and Borchardt in the Französische Strasse.

It was not until 1923 that it made its first appearance in the English-language edition of Baedecker's famous guide. It failed to merit a star.

All this had changed, though, by the time the next German edition appeared in 1936. "Belongs to the top category," enthused Baedecker. "Excellent." And a star was awarded.

Horchers also had a protector. Indeed, from the first years of the movement in Berlin, Horchers might be said to have marched in step with the Nazi party.

Four frustrating years after the failure of the Munich putsch in 1923, Hermann Goering arrived in Berlin at the end of 1927. Money was short until the former air ace was elected to the Reichstag in the spring of the following year. When Hitler agreed to his candidature, it was to Horchers that Goering went to celebrate.

By July 1934, Goering was already Prussian minister president and the second most powerful man in Germany. That month, he held a second, and far more sinister, celebration in the restaurant in the Luther Strasse.

It was there that he threw a dinner to thank his managers for their help in the bloody Night of the Long Knives when a 100 or so political opponents were butchered. Crab was the order of the day.

Goering's continued protection must have been valued highly by Gustav Horcher and his son, Otto. Once the war had started, the Luftwaffe chief had Horchers' staff exempted from military service and tripled the petrol allowance for restaurant vehicles.

When Otto Horcher discovered a hoard of 70,000 bottles of port, Goering ensured that the bulk of the wine was acquired for the Luftwaffe – but only after creaming off 10,000 bottles for Horchers and a few cases for himself.

Horchers' rise under the Nazis was to have a European dimension, and one which became linked closely to the subjugation of mainland Europe by the soldiers of the Wehrmacht. As journalist Hans Georg von Studnitz wrote in the autumn of 1943: "As the favourite chef of Hermann Goering, Horcher has risen to become the foremost restaurateur of the Third Reich . . ."

With Germany occupying half of Europe, Horcher's sphere of activity broadened. He took over Die Drei Husaren in Vienna from Count Paly Palffy. Then he moved to Maxim's in Paris and opened branches in Oslo and Belgrade. Before the second world war, he held the concession for the German restaurant in London's Mayfair.

The intimate, leather-hung restaurant in the Luther Strasse received its share of famous guests. In 1937, Nazi chiefs Heinrich Himmler and Joachim von Ribbentrop entertained the Duke of Windsor there. It was a regular favourite of the chief of German military intelligence, Admiral Wilhelm Canaris. But Horchers was never Nazi. Most of the anti-Nazi *frondeurs* ate there and the Gestapo was not welcome. An English journalist, Ian Colvin, who had known Horchers well from his days as a Berlin correspondent before the war, noted: "Horcher's food was excellent, brought in from Denmark, and his French wines were bought with occupation francs at controlled prices." But as the danger from bombing became more acute, the Luther Strasse premises were "abandoned for a safer villa in Wannsee suburb standing among trees on a sand ridge above the lake".

The Nazi defeat at Stalingrad in February 1943 dealt a lethal blow to the few remaining grand restaurants in Berlin. At Horchers, though, the manager tried to make up for the occasional gap in the menu with his old-world charm. This did not work on Josef Goebbels, the Nazi propaganda supremo, who mentioned Horchers specifically when he announced new austerity measures to accompany "total war".

Goering was not amused by the order to close a restaurant which had been supplying him with food for years. In a 45-minute telephone conversation, he told the gauleiter of Berlin: "If you close Horchers today, I shall open it tomorrow as a Luftwaffe club!"

Goebbels responded by staging a "spontaneous demonstration" in which one of the restaurant's big windows was smashed. When Goebbels' men returned the next day, they found it guarded by Luftwaffe sentries.

With Goering's help, Horchers limped on in Berlin for a few more months. But after the massive Allied raid on the city on November 23 1943, Otto Horcher must have seen that there was little point in hanging on. Diners who turned up at Horchers in January 1944 found it shut.

By that time, however, the restaurant had opened its doors in Madrid – on November 11 1943. Gustav Horcher died three years later but Otto lived until 1977. The restaurant is now owned by another Gustav, Otto's son, who was only three when he left Germany.

Horchers was one of several German restaurants in the Spanish capital, but it was always the best. And visitors to Madrid after the war remember seeing the SS daredevil Otto Skorzeny, holding court there. At that time, he boasted he was in charge of the Odessa operation which helped SS men escape the justice of the courts.

For bottled beer, British is best

The Weekend FT samples a selection of tempting brews

FOR WINE drinkers, certain grape varieties become fashionable for a year or two, then fall from grace; while brands of spirits are favoured by drinkers who would be hard-pressed to tell you why. It is all to do with marketing – and beer is the most fashion-conscious of the lot.

Take imported bottled beers. It is possible to draw up a sort of Chinese horoscope based on what has been the fashionable beer of the year. In 1992, American bottled lagers made great headway in the UK, although most are irredeemably dull. In 1991, it was Mexican beers with a wedge of lime (drunk, of course, from the bottle), while 1990 was the year of Japanese "dry". As for 1989, I seem to recall it was San Miguel. Whichever they were, though, we can be quite certain of one thing: flavour was unimportant.

Last summer, I lived through a German heat-wave. So, I thought I would try out *Weizen*, or wheat beers. These sometimes are drunk in Germany with a slice of lemon but I cannot see why, as all of them have a strong lemony taste to start with.

The best are the *hefeweizen*, which undergo a second fermentation in bottle with added yeasts; thus, the beer is cloudy and full of flavour. Comparing the *hefeweizen* available in Berlin, I found the best were Maisels from Bayreuth and Scherdel, although Thurn und Taxis was nearly as good. I have not seen any of these in Britain but I am sure they could take the market by storm.

Spurred by all this, the *Weekend FT* decided to taste some of the bottled beers on sale in Britain. Apart from one made in London (which actually topped the league), and one from Scotland, all were imported. The tasters were myself; Iain Loe, from the Campaign for Real Ale; and Max Wilkinson, editor of the *Weekend FT*. The beers were scored out of 20 and are listed in descending order.

1: Very Special Christmas Ale (England), 16 points. This one English beer beat all comers. "Excellent in its way," said Wilkinson. "Needs to be drunk at the end of a meal," warned Loe, referring to its 8.9 per cent alcohol – stronger than many German wines.

Equal 2: Hoegaarden White (Germany) and Liberty Ale (California), 15.6. The Hoegaarden is not quite a *Weizen* as it has less than 50 per cent wheat. On the other hand, it contains coriander and curaçao and comes out slightly cloudy. There was considerable enthusiasm for this beer and its spicy bouquet, which sells from Whitbread pubs. The Liberty has a markedly fruity, hoppy character.

4: Brigand (Belgium), 15.3. This Belgian beer, with nine per cent alcohol, comes in a 75 cl bottle with a champagne cork. It has a lemony taste, which Loe put down to the yeast. Wilkinson called it "rather nice".

5: Alpirsbacher Hefeweizen (Germany), 14.8. Our first *hefeweizen*. I did not think it was quite up to my favourites in Germany and it seemed a little bright for the type. But Wilkinson thought it "jolly good beer, almost the best here".

Equal 6: Coopers Sparkling Ale (Australia) and Regal Christmas (Belgium), 14.6. Coopers, from South Australia, has been a personal favourite since I first tasted it on High Eden Ridge near Adelaide. It is sold by Oddbins for 99p. The Regal is a strong Christmas ale the colour of *café au lait* and smelling of baked bananas, with nine per cent alcohol.

Something's brewing . . .Giles MacDonogh, left, and Iain Loe get down to business during the Weekend FT's beer tasting

8: Chimay Red Label (Belgium), 14.3. Loe pointed out that this was the weakest of the Chimay beers, with seven degrees. A special yeast is used to give it its considerable character.

9: Traquair House Ale (Scotland), 13.6. This is made in the oldest house north of the border. It is a deep amber ale with "great charm".

10: Erdinger Dunkel (Germany), 13.3. A generation ago, Bavarians drank these dark malt lagers in preference to bright beers. The team admired its character and markedly hoppy finish.

11: Grolsch Bok (Holland), 13.0. This is the autumn "Bock" version of the famous Grolsch – spelled "Bok" in Dutch. Beer of this sort is brewed with extra strength for the onset of winter. The result is rather sweet: something to steel your limbs before going out to work in the fields.

12: Singha (Thailand), 12.8. This beer is surprisingly full of flavour and proved one of Loe's favourites. Wilkinson found it "too bitter" and lacking in aroma.

13: Zambezi (Zimbabwe), 12.1. Again, this came as a surprise. A lager with real character.

14: Ostravar (Moravia), 11.6. A pilsner type. I was not keen, but Loe praised the after-taste and Wilkinson liked the "agreeable bitterness".

15: Kriek (Belgium), 11.3. This beer is called "Mort Subite" (sudden death) and is made with spontaneous yeasts and macerated cherries. I liked it, but Loe detected added sugar and Wilkinson thought it no more than a curiosity.

16: Stella "Dry" (Belgium), 10.8. Mixed views again on this Belgian-brewed Stella. Wilkinson liked it, Loe and I dissented.

17: Heineken Export (Holland), 10.6. The votes went the other way round for this Dutch-brewed Heineken. I liked a gentle whiff of honey.

The other beers failed to make half-marks. We thought the Kaltenberg Pils would be better brewed in Bavaria, rather than our Whitbread-brewed sample.

Tiger from Singapore, Cascade from Tasmania, a UK-brewed Stella and a San Miguel look-alike from Spain called (appropriately enough) Damm all seemed to lack character. The feeling among the tasters was that these brews were best drunk when it was very hot and you were too thirsty to notice.

A Bahamian beer called Kalik smelled of manure. Having said that, it will almost certainly become this year's fashionable sensation.

■ *The speciality beers are available from the Beer Shop, 8 Pitfield Street, London N1 (tel: 071-739-3701) and Grogblossom, 66 Notting Hill Gate, London W11 and branches (tel: 071-792-3834).*

A number of gift boxes are available by mail order.

Giles MacDonogh

FT Lunch for a Fiver

For Nick Lander's review of the "Lunch for a Fiver" offer buy the Weekend FT on 6 February

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SPORT

Tennis/**John Barrett**

Seles set for high-decibel showdown

TO GRUNT or not to grunt, that was the question for Monica Seles at last year's Wimbledon. In the final against Steffi Graf the world champion remained silent and lost 6-2 6-1. At the time I was convinced that her lacklustre performance was due to the conscious effort she made to change the habit of a tennis lifetime. Any athlete forced to operate on the conscious level is doomed.

For the first time since that Wimbledon meeting, the two rivals for the world No 1 ranking clash again in today's final of the A$6 (£2.6m) Ford Australian Open at Flinders Park, Melbourne, worth A$410,000 to the winner. Although Monica has lowered her average decibel level in the six matches that have taken her to her third consecutive final here, that is only because she has slaughtered the opposition.

In her quarter-final against Julie Halard, where she failed to convert three match points and lost her first set of the tournament, she was positively snarling as she reeled off the last six games for victory.

The grunting issue is never far away. Irritated by the constant media questions, the disgruntled champion said at the start of the meeting: "I just don't want to keep talking about it. If I grunt, fine. If I don't grunt, that's fine too."

After her 6-1 6-2 destruction of the world No 3 Gabriela Sabatini in a semi-final on Thursday, the champion was positively . . . well, gruntled.

"I played a good game today. I just kept concentrating and when the pressure was on I played quite well."

That simple understatement reveals the total belief in her own ability that is the foundation of Monica's greatness. Make no mistake, this remarkably unathletic teenager is already a great champion. She has reached the final in 33 of the last 34 tournaments she has played and won 22 of them, a run that includes six Grand Slam wins from seven consecutive finals. In her four-year professional career she has won 242 matches and lost 28, a winning average of 89.6 per cent, and a player on the way up usually loses more matches than she wins.

Chris Evert can better this – just – but only if you take her entire career. Her record is: won 1,309; lost 149; average 89.9 per cent. Graf's record is almost as impressive. In her ten years as a professional she has won 591 of 667 matches for a winning average of 88.6 per cent.

Graf and Seles now rule women's tennis as completely as Evert and Martina Navratilova did in the early 1980s. Their clash in this first great Championship of 1993 should launch us on another year of intense rivalry.

Although Graf leads 6-3 in career meetings, the first three wins came as Seles made her grand entrance on the tour in 1989 by reaching the final of the French Open unseeded and taking a set from Graf.

The intriguing thing about today's match is that both women are improving. Seles is serving much better than she did last year and shares the lead with Jennifer Capriati for the fastest recorded delivery among the women in Melbourne, an impressive 169kph. She is also volleying with enthusiasm. In the first game of her match against Sabatini there was a two-handed drive volley and a beautifully struck sliced backhand volley of which Navratilova would have been proud.

Graf, too, is volleying occasionally and is thumping that forehand as well as ever. She has also reverted to her excellent sliced backhand as her basic shot on that wing, an admirable decision because the ball skids through fast and low off the Rebound Ace surface. Seles will spend much time this afternoon digging up low balls as Graf speeds about the court to find the crosscourt angles that will expose the double-hander's lack of reach.

The outcome, therefore, is likely to depend upon the mental qualities of the two. This is where Seles has the edge. This intelligent teenager has a mind like a steel trap. Against Graf in the French Open final last year, after being thwarted on four match points at 5-3 in the final set, Monica twice had to serve to stay in the match. She never flinched, and when she sensed Graf's resolve weakening, the jaws snapped shut.

She has been equally canny here. Asked about playing Graf in the final she said: "Steffi is going to serve very strongly . . . she is playing great tennis with great tempo, very strong on both sides . . . I will just have to go for my shots."

In the men's final tomorrow the holder and world No 1, Jim Courier, and the number two seed, Stefan Edberg, meet for the eighth time. Edberg has won four of their meetings, his last victory – the US Open final of 1991 – revealed the 25-year-old Swede at his greatest. Since then their only meeting has been last year's Australian final, won by Courier in four sets.

At these Championships Edberg has celebrated both his 27th birthday and a welcome return to top form – in spite of a back spasm during his fourth round win over Amos Mansdorf that threatened to end his challenge. In 1989 and 1990 he was forced to retire from the Australian Open with injuries and it has taken courage for him to continue. His 7-6 6-3 7-6 semi-final win over third seeded Pete Sampras yesterday was heroic. The American led 4-0 in the first set but Edberg, easing himself into the match, stepped up the tempo with some devastating returns of serve and typically athletic volleys that finally destroyed Sampras's confidence.

Courier, the top seed, was equally impressive in beating Michael Stich 7-6 6-4 6-2. Only once, at 1-2 in the first set, was the American behind. Once he had recovered the break of serve he proved that the basic qualities of groundstroke control can usually beat a rampant serve-volleyer on relatively slow courts.

This 100th Grand Slam Championship of the open era has been an impressive meeting for the one-sidedness of the later rounds in the men's event. Not since the US Open of 1977 have all four men's quarter-finals and both semi-finals been won in straight sets. Someone must be doing something right.

Power play: Jim Courier on his way to tomorrow's final of the Australian Open

American Football

Lone Star state of mind

Dallas fans won't hear of Super Bowl defeat, writes ***Patrick Harverson***

IF ANYWHERE in the US can lay claim to being the heart of American football country, it is Texas. Many states provide more players to the professional game. Some have more NFL teams and blue-chip, football-playing universities – but there is nowhere quite like Texas when it comes to passion for the sport.

It is no surprise, then, that Texans are going wild over tomorrow's Super Bowl at Pasadena, California, which pits their beloved Dallas Cowboys against the Buffalo Bills from New York state.

Their enthusiasm for the game starts at the lowest level. Texas is mad about high school football. "A typical game in the city will draw between 5,000 and 10,000 people," says Steve Davies, a sports reporter at the *Dallas Morning Herald*.

"In the smaller towns, the crowds are the same which means that, in some places, about 20 per cent of the local population is often at the game."

Indeed, high school football is most popular in country areas – and not just because it is often the only action in town other than the rodeo. For as long as anyone can remember, rural Texas has been producing big, brave farm boys suited ideally, in physique and temperament, to the bone-crunching rigours of the gridiron.

The link between farming and football reaches its apotheosis at Texas Agricultural and Mechanical, the finest footballing university in the state. This year, A&M attracted crowds of up to 80,000 as they won all their games in the regular season and challenged for the title of national college champions.

At professional level, football mania reaches even greater heights. Two weeks ago, the Cowboys held a rally at their stadium in the city's outskirts for fans wanting to boost the players in their bid to win the club's first Super Bowl since 1978. On a dull, rainy mid-week day, 70,000 people turned up.

The rally was shown live on local television and repeated on the same channel two nights later, attracting big ratings both times.

Even the Lone Star state's most famous entertainment export cannot compete. The Cowboys' National Football League championship game against San Francisco two Sundays ago attracted the biggest local television audience ever in their home town, far outstripping the record held by the "Who Shot JR?" episode of the soap opera *Dallas*.

Although Texans are an hospitable bunch, the football fans sometimes take their fanaticism to absurd limits. When the Philadelphia Eagles arrived earlier this month to contest the Eastern Division title, shopkeepers in the Dallas area removed cartons of Philadelphia soft cheese from their shelves. And Buffalo, Texas, (population 1,900), has changed its name – to Blue Star – for this weekend.

The irony of the Cowboys' wonderful run this year is that the chief architects – Jerry Jones, the owner, and Jimmy Johnson, the coach – both are former star footballers at the University of Arkansas, a great college rival of Texas A & M and the University of Texas, and just a few miles across the Texas state line.

The two Arkansas alumni took charge of the Cowboys 3½ years ago. After a couple of disastrous seasons, their drive to turn round a dispirited club and a struggling team began to pay off.

After winning only one game in the 1989 season, Dallas improved so rapidly that this year they won 13 of the 16 regular season matches.

Jones and Johnson have been ruthless in re-shaping the club – the old management was purged and unwanted players traded away to make room for fresh faces. They have shown a willingness to gamble, too, both with the selection of their teams and with the plays that have been called during games.

Like the Miami University team that Johnson coached to a national college championship late in the 1980s, the Cowboys are built on speed, or what American footballers call "quickness" – which means speed and agility over short distances, and an ability to think and react quickly in tight, unscripted situations.

Dallas exploits that quickness with a flexible, attacking game that is comfortable both running and passing the ball. In recent games, the Cowboys' offence has been as swift, precise and potent as the San Francisco 49ers' attack during their long reign in the 1980s as the NFL's best team. The comparison was not lost on some of the San Francisco players who faced the Cowboys a fortnight ago. "It looked like we were playing the mirror image of ourselves at times," said Jesse Sapolu, one of the 49ers' key offensive players.

Although the bookmakers have installed the Cowboys as the favourites tomorrow, many wise heads are warning that the Bills (who have been to, but lost, the past two Super Bowls, the 1991 game by a single point) will have much more big-game experience – Dallas are the youngest team in the NFL, with an average age of 25.

Young they may be, but there is no shortage of confidence from the Dallas players. As Emmitt Smith, their star 23-year-old running back, said so disarmingly this week: "Experience? How much experience do you need to play in a Super Bowl? I've been running the ball my whole life. What more experience do I need?"

Skiing

Danger under the sun

Arnold Wilson on the risks of the slopes and how to ski safely

IN THE heart of the Swiss Alps this week, something stirred. Flurries of snow followed by more substantial falls on higher slopes in the Valais arrived to break the relentless meteorological deadlock of sun and blue skies but not necessarily to improve treacherous pistes. The danger to life and limb is still there, although further snowfalls may finally minimise the dangers.

Day after day, the slopes had slowly deteriorated from superb to good to patchy to downright dangerous as recent deaths testify. After a superlative start to the season, skiers encountered endless sunny days or perfect piste skiing. But without further falls and with temperatures not always cold enough to enable resorts to top up with artificial snow, even the best pistes on the lower slopes gradually deteriorated. The problem now is that small amounts of fresh snow tend to cover icy moguls, making them even more treacherous because skiers often cannot tell what lies under the fresh covering. Much higher up, however, the new snow is sufficiently deep on most runs to ski without breaking through to the old snow, which was in better condition anyway because of the altitude.

Another problem is that the very qualities that make a ski resort so challenging – steep, long, rocky descents with chutes and couloirs – tend to make it more dangerous with inferior snow cover.

Verbier is a good example. So are other barnstorming resorts such as St Anton, Val d'Isère, Argentière, Zermatt and Jackson Hole. Each has steep, rugged, rocky mountains where the terrain includes some of the world's most exhilarating runs. Take away too much snow cover and you get areas of treacherous, rock-strewn slopes where out-of-control intermediates, travelling too fast for their imagined skills, can easily damage other skiers and themselves. The problem with strong, fit, young intermediates is that many ski as fast as experts without the same control.

In Verbier this week, the La Chaux area above Les Ruinettes has been hell's corner as skiers came hurtling into one of the resort's busiest bottlenecks. In normal conditions, their inadequate technique would see them through, but on hard, icy slopes they are unusually vulnerable – and so is anyone who happens to be in the way.

In these conditions, a red run can easily be labelled black and even the mildest blue can be transformed into a stiff red.

Ironically, the unpleasant and sometimes dangerous state of the slopes has highlighted the attraction of off-piste descents, so often thought of as the pre-occupation of the hare-brained, dangerous fringe of ski-ing. In resorts where the groomed runs are at their most dangerous, skiing off-piste with a qualified guide can be a safer option. Guides are trained to seek out good and safe snow conditions. The only snag is that to get to the classic off-piste areas a skier can rarely get by with lower-intermediate skills. Off-piste skiers must be able to negotiate breakable crust and heavy, loose snow, and to walk up and then ski down some steepish gradients. But just as there are easy and difficult pistes, there are usually "beginner" areas for off-piste debutants.

In Verbier, intermediate piste skiers can manage the gentleish ungroomed slopes around Attelas without a guide and even the gentle descent all the way down from the Rosa Blanche glacier, although a guide is required to help skiers steer clear of crevasses. More expert skiers can cope with the joys and perhaps *occasional fears of skiing a myriad off-piste itineraires.* Stairway to heaven, reached by a long traverse from the top of the Jumbo Mont-Fort cable car, is a wonderful example of rich rewards for little effort. It involves a steep but not difficult walk to reach some wide open and exhilarating but not terribly steep snow fields. In good conditions, even Mont-Gelé and the legendary "back" of Mont Fort can be skied by strong, experienced intermediates.

On the rare occasion when a group of helicopter skiers are injured or killed, it inevitably makes headlines. Yet you have more chance of being injured or killed in one of the scores of individual collisions or falls on piste than in an avalanche while heli-skiing.

Year after year, single skier's deaths have gone almost unnoticed. What is different this year is that some of the casualties have been British.

Guides cost money. Our guide this week in Verbier, Yves Rausis – with almost 20 years experience in Canada, Alaska and California and who survived a massive 2,300 foot fall during an avalanche while guiding in Verbier eight years ago – cost SFr400 (£183.40) a day between four of us.

You might well ask why you should pay such a sum to ski off-piste when you are already having to pay to ski on-piste. However, your £50 will bring you not only good snow while others are struggling in difficult conditions, but also wonderful adventures in remote and beautiful wildernesses that you would not find if you spent the whole week looking, not to mention the risk of falling down a crevasse in the process.

Guides such as Rausis can make all the difference between an average day on skis and a truly outstanding one. They instil a confidence that is rarely misplaced. I would ski over a cliff for Yves in the almost certain knowledge that I would not only live to tell the tale but do it all over again. Such confidence can enable you to ski with verve in places where – if you were alone – you might die of fright. The elation you experience makes the guide worth every centime.

■ *My visit to Verbier was organised by Ski Thomson, Greater London House, Hampstead Road, London, NW1 7SD. Telephone 081-200-8733. I stayed in the Chalet Mont Clair (prices from £297 including cooked breakfast, afternoon tea and dinner with wine. Our chalet person, Sarah Armstrong, made delicious cakes, excellent porridge and was patient with two exuberant under-fives in our party.*

Motoring

A thoroughbred beast of burden

Stuart Marshall tests Citroën's XM SD estate

CITROEN'S XM is not quite the biggest bulk carrier among estate cars. Ford's Scorpio, a Mercedes 200-300T or the Vauxhall Carlton beat its load floor length, with back seat folded, by up to five inches (12.5 cm). But nothing can match it as a weight carrier.

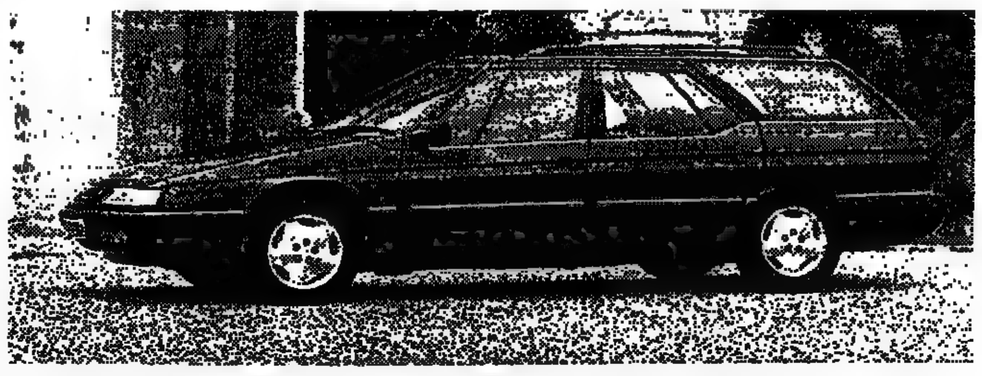
As a bonus, its self-levelling suspension keeps it on an even keel with a load of garden stone or logs. Or, for that matter, a dozen cases of still wine, six of champagne and 24 cartons of beer.

This, my bathroom scales tell me, will total 1,074 lbs (488 kg). Allowing 294 lbs (134 kg) for my wife and me, we will still be well within the 1,378 lb (626 kg) load limit – and HM Customs' guidelines – as we roll off the ferry at Dover one day soon.

But the XM SD estate is much more than a champion weight-lifter. I doubt that any estate car can match its ride quality. Laden heavily or running light, it is as unruffled by bumpy roads as an ocean liner on a gentle swell.

On motorways, it cruises like the chairman's limousine. Semi-active suspension lets it corner fast on winding roads without leaning; automatic transmission makes town driving relaxed and motorway tailbacks more tolerable.

Normally, I fill the 80-litre (17.6 gallon) tank at 450/550-mile (725/885 km) intervals because, in more than 4,000 miles (6,500 km), the worst fuel consumption has been 28.6 mpg (9.87 l/100km). At best, it was 35.4 mpg (7.98 l/100 km).



Citroën XM SD automatic estate: A champion weight lifter with executive car trimmings.

The two-pedal XM SD estate is, of course, a turbo-diesel. It is not as economical as a five-speed manual Citroën XM SD I drove for a year; that gave me up to 45 mpg (6.27 l/100 km) on a journey. But the automatic is a far nicer car to drive. With only two pedals, its awkward, foot-operated parking brake is tolerable because it is not needed for hill starting. And apart from replacing a no better-than-average manual gearbox, the automatic transmission makes the XM turbo-diesel feel much more refined.

Because the 2.1 litre, 12-valve, 110-horsepower diesel is small for a car of this size, it has to work quite hard. When accelerating, the transmission does not go into top until nearly 3,000 rpm and 50 mph (80 kmh). On slowing down – say, for a corner – it downshifts almost imperceptibly into third at around 40 mph (64 kmh) and into second at 30 mph (48 kmh).

All of this makes the XM SD drive more like a petrol-engined car than a typical diesel. The downside is that on a cross-country route with bends and hills, the transmission spends more time in second and third than in top, which is no help to fuel economy. But on a motorway, the high top (under 3,000 rpm at 80 mph/128 kmh) makes for relaxed and economical motoring.

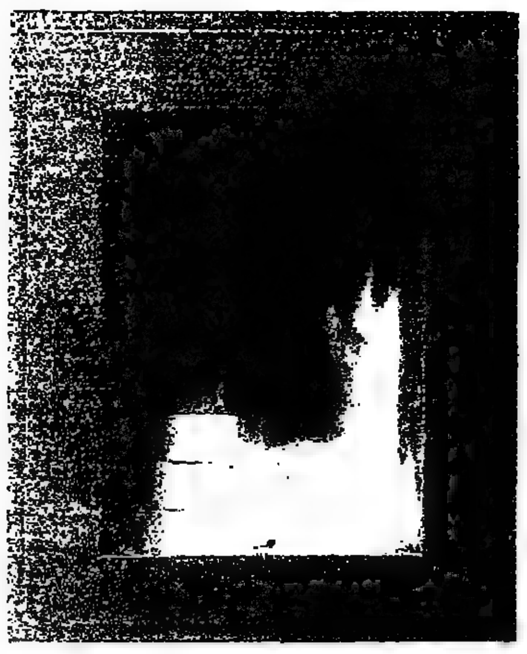
The XM SD estate has such executive car goodies as power-adjusted front seats and door mirrors, remote central locking and electric sun roof – plus a good radio/tape with volume and station search buttons in the steering wheel hub. With all seats filled, it still has a load space big enough to take a folded two-seat pram and a labrador on its bean bag.

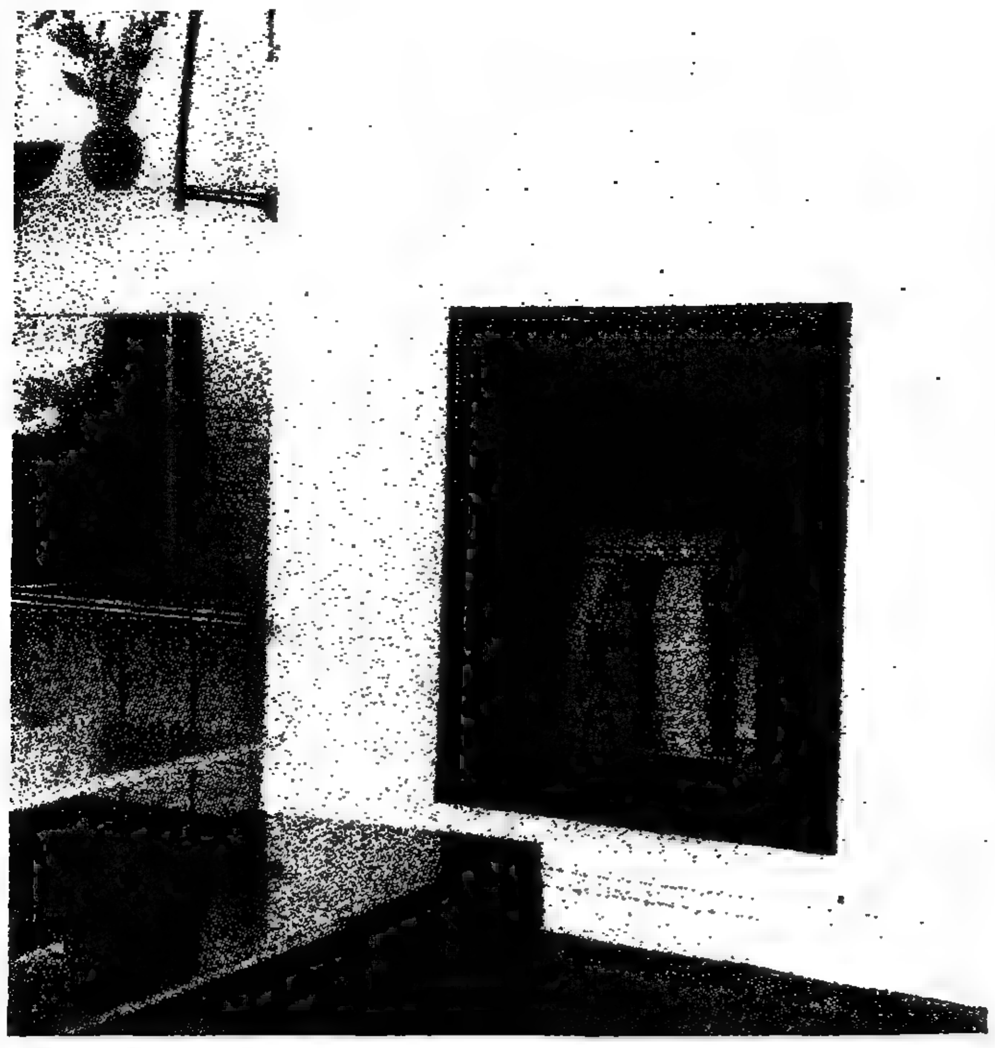
Citroëns share important mechanical components with Peugeots but are still individualistic. Although it is not at all quirky, you would never mistake the XM estate for anything else; it drives, rides and looks like no other car.

List price is £20,943. This includes an information read-out telling you which door you have left half-open and what the outside temperature is – it flashes a frost warning below 5 °C – but ABS brakes are £821 extra.

HOW TO SPEND IT

***Lucia van der Post** with fireplaces which give a fresh focus to the home, smart bags and tidy tartans*





Decorative gas fires with a difference – two versions of Henry Harrison's Sands Of Time series

Those burning ambitions...

MOST people's images of fire centre around the ancient and traditional. All those stunning stage-sets, featured in the glossy magazines as the long, cold nights of winter draw in, nearly all centre on Dickensian images of olde-worlde fireplaces with surrounds that ape every period from Louis XV to Edwardian.

Even the most technologically advanced of decorative gas coal and log fires seem to feel they need to look old-fashioned in order to appeal.

Henry Harrison is an architect who wanted to offer his clients – and anyone else who was interested – a different aesthetic, a contemporary alternative. After all, a working fireplace not only offers warmth but it is a compelling focal point that adds definition to a room.

His first venture into contemporary fire design produced the Platonic Fire – three separate designs called Socrates, Euclid and Plato. Each features a collection of what he calls geologs, based on geometric forms such as the sphere, the tetrahedron and the cube, all set in equally geometric chrome grates, complete with embers and gas controls.

But Harrison felt that the Platonic series did not answer everybody's needs. There was a need for a fireplace design that was more acceptable to traditionalists, that looked slightly softer, but that did not simply imitate the log fire. He therefore came up with what he calls The Sands of Time series – two examples of which are photographed above.

He uses black granite or slate surrounds to frame what he calls a "*mise en scene* of architectural forms evoking memories of ancient cultures". He has used classical references such as the Corinthian capital, the Doric column, plaques, relics and other bits of Greek entablature to replace the conventional logs.

They are all cast in a fire-proof material from moulds designed and made by Harrison and customers can choose any combination or arrangement that they like.

They can also order a unique piece of sculpture if they prefer – in the same fire-proof material. Each fireplace is effectively a one-off.

There is no need for a grate – the collection of architectural relics is arranged on a sand bed and would look as easily at home in a traditional surround as in one of Harrison's immaculately clean and simple ones.

For the really adventurous customer Harrison has a new idea. – it just needs somebody with courage and vision to order it and the range will be on stream.

It is based on using perspective in a Piranesi-like way and taking Piranesi elements such as columns, podia, eroded arches, statues and crumbling masonry and using them to create an architectural backdrop or stage-set in the fireplace. The elements can be arranged as the customer wishes and can be rearranged. Prices start at about £300 for the elements, excluding the surround.

The Platonic Fire is available at about £640 plus vat, with its complementary surrounds starting at about £1,250. The Sands Of Time series costs around £1,000 (plus VAT) and that will include the supply and installation in Greater London.

■ Further details: Henry Harrison, 20 British Grove, Chiswick, London W4 2NL. Tel: 081-741-9721.

Simply effortless chic

WHILE it is perfectly true that the itsy-bitsy handbag, the modishly scaled-down scrap of silk or softest calf, is still very much in vogue, for most of us they have to be regarded as a bit of fashionable fun.

For our other, more everyday lives we have different requirements from our handbags. We need something that combines insouciant chic with a certain sturdiness and an elastic capacity to hold the cheque-book, the credit cards, the handkerchief, the billet-doux, the bills and the other paraphernalia that somehow effortlessly finds its way into our handbags.

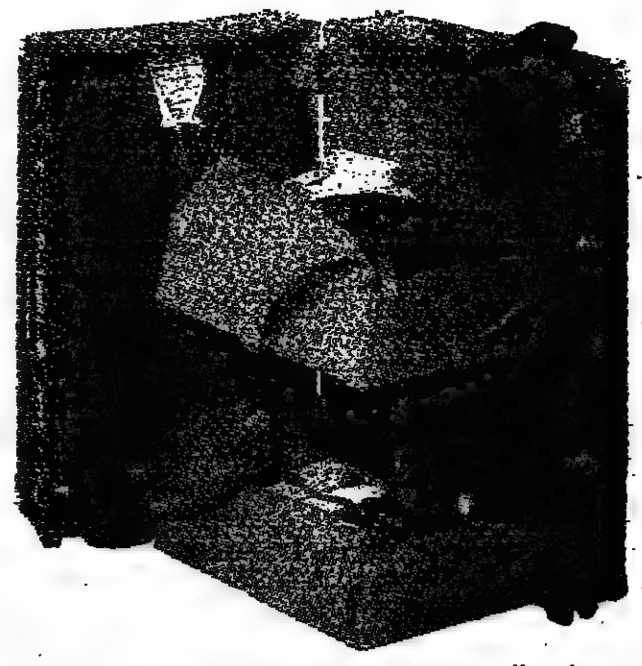
Those who are forever in search of this paragon and have yet to find it might like to look at the range produced by Baronessa Franchetti and on sale now at Franchetti Bond, 7 Burlington Aracade, Piccadilly, London W1 and at 5 Lion and Lamb yard, Farnham, Surrey, GU9 7 LL.

The Baroness's life in handbags began in a humble enough way – importing other people's designs from Italy and selling them in the UK.

From there she has expanded into designing her own range and she does seem to have the knack of producing bags that combine a certain panache with real practicality. For the working woman there are bags that are big enough to function as briefcases – they will take A4 size folders and documents – which also look soft and relaxed. She uses lovely leathers – all treated and waxed to protect from water and scratches – and uses her own Franchetti coat of arms as a signature on all her pieces.

For summer there are some striking fabric bags – the one in navy-blue cotton with tan leather straps, photographed opposite, is a splendid example of her combination of practicality and chic. Prices are good – ranging from about £35 for some of the fabric versions to £150 or so for the all-leather.

If more serious luggage is on your agenda then it is worth knowing that for the first time the smart German label MCM is available in this country at Harrods. Much of the range seems to suffer from too much rather than too little design and some of it is really awfully grand, the sort of pieces that require porters and trolleys and hefty tips but the quality is excellent and there are some splendidly useful designs – in particular the tan rucksack, the Gladstone-like travelling bag, the soft weekend travelling bag, all from the Nature range – that are beautifully made and effortlessly chic.



A gentleman's travelling wardrobe by MCM, £4995 from Harrods

Open sack bag in cotton with leather straps, £55, from Franchetti Bond

Zipped shopper with cord strap, £35, from Franchetti Bond

Melissa Rigby's tartan Renaissance range using traditional dyes

Quick, slick cover ups

I HAVE only recently come to see the inestimable qualities of "throws". At their best they are soft, warm, durable and beautiful. They are the quickest, simplest and cheapest way of recovering a sofa – just throw one over the existing fabric, and there you are, a new cover.

They can be used for concealing unexceptional or even ugly tables, for revitalising a colour scheme and can double as shawls or rugs.

Melissa Rigby has built a business round the throw. She takes fine worsted yarn and hand dyes it with natural vegetables dyes in small batches. She uses traditional dyes such as indigo (blue), madder (red) and weld (gold) to produce the rich colours shown in the photograph here.

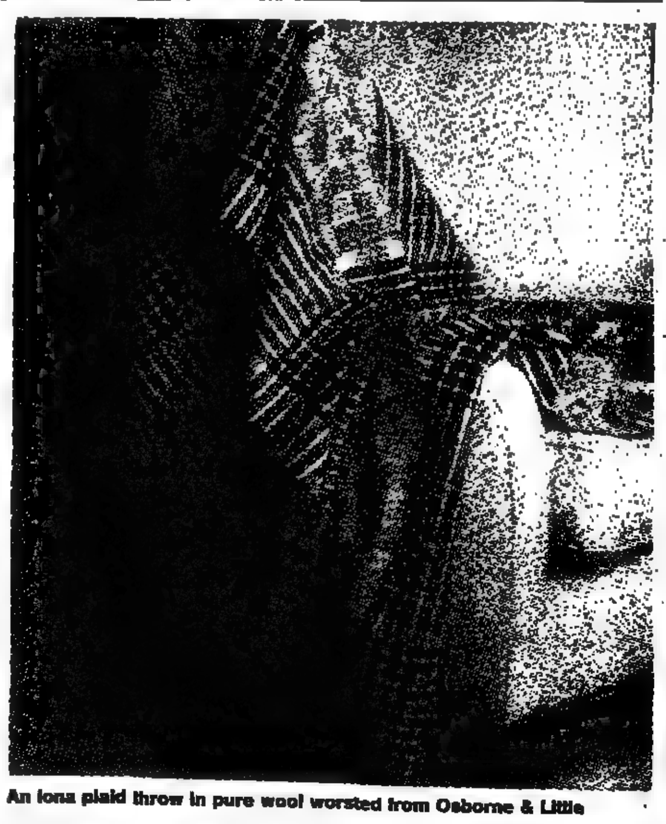
The results are beautiful contemporary classics.

Before starting Rigby Hues, the company which produces the textiles, Melissa rigby spent some 18 months travelling and researching those cultures which still retain the old traditions of naturally dying cloth. Her aim now is to go on designing and producing fine naturally dyed textiles – in the pipeline and on sale probably in about eight months time are vivid textiles from Hungary (traditional hand-block-printed 19th century designs), traditional double weaves from Wales as well as embroidered textiles from Transylvania and Bangladesh.

Meanwhile, anyone wanting the throws, which measure 72in by 54in and are fringed, can find them at George Trowark, St Christopher's Place, London W1; Idonia van der Bijl, 25 Museum Street, London WC1, at £130 a time.

Although Melissa Rigby's throws are very special almost every furnishing accessory company at the moment has come up with a version of their own – photographed here is one of a new range from Osborne & Little, the company primarily known for its fabrics and wallpapers.

In fine textured pure wool worsted the combination of small and large checks is designed to work with the other colour ranges in the fabric collection. £85.75 from Osborne & Little, 304-308 King's Road, London, SW3 2UH.



An Iona plaid throw in pure wool worsted from Osborne & Little

Paris is still the key

***Avril Groom** at the nerve centre of haute couture*

PARIS IS the only city in the world where large numbers of people discuss seriously the economics of making dresses costing upwards of £6,000.

It is still the nerve centre of haute couture and even designers from elsewhere – Versace from Milan and Valentino from Rome – come to show their collections twice a year. Not that they expect to see many customers there. The show goes on for the press. The publicity helps promote the lesser products, from perfume to purses, where the real money lies.

Genuine customers have dwindled to about 1,500 worldwide, according to Vladimir de Kouzmine, managing director of Nina Ricci couture. "There are many more women who could afford it but they do not have the patience for time consuming sittings," he says. So it has become tempting for many designers to use couture to develop new ideas, which can be watered down for the commercial ready-to-wear.

But making and showing a couture collection is enormously expensive. De Kouzmine estimates that it costs £1m a time – more than half in direct costs, the rest in tying up staff for over two months a year.

The international financial concerns which control most of the houses are beginning to question the wisdom of it all. The result has been *some awkward* ducking and diving among designers and a division between houses who see couture as the fount of design innovation and those who feel the customer should call more of the tune.

Last week's sale of the Yves St Laurent group to Elf Sanofi, state-controlled through Elf Aquitaine, followed the removal of Jean-Louis Scherrer by his Japanese financiers from the house he founded and the short-notice installation there of Erik Mortensen, himself ousted from Balmain.

Balmain now has the first American in Paris, Oscar de la Renta. His first very pretty but not outstanding collection this week was seen as good customer relations. The brilliant Christian Lacroix, whose talents are best suited to haute couture, has had a setback with the failure of his perfume, C'est La Vie!, launched before he was well known worldwide and the question is how long his backer, Mr Bernard Arnault, can continue to support him.

At the heart of this is the dichotomy between old-style, labour-intensive craft and modern commercial expediency. Many couture houses are members of the Comité Colbert, a self-financing, 70-strong group of France's luxury goods companies, which exists to promote and perpetuate highly skilled artisan crafts.

Apart from fighting such modern plagues as counterfeiting, it supports education in all the crafts on which its members depend, from workshop apprenticeships to student management and design projects on an international basis.

Haute couture is fighting a rearguard action and its own governing body has reduced the minimum number of workers and outfits per collection for new couturiers in an attempt to encourage younger designers to join the profession. So far there are no takers, but financing a couture house in the recession cannot be done overnight. The most likely candidates are successful ready-to-wear designers, Thierry Mugler and Claude Montana. Mugler's collection of one-offs is already couture by any other name while Montana has designed couture for Lanvin.

Both have a modernist design approach and would be welcomed by the more go-ahead houses. It is now almost two years since Yves St Laurent's partner, Pierre Bergé, made his famous remark that "couture will be dead in a decade", but the top names are determined not to sink without a lot of splashing.

Chanel splashes loudest of all and, in Karl Lagerfeld, it has the world's most bankable designer. Its head of couture, Catherine Rivière is both impossibly elegant and warmly informal. She is also a consummate professional who says: "The days of being in fashion for fun are over. Now we work hard to get new clients – subtly, not aggressively. But I believe in promoting haute couture because there are many women who can afford and want that unique workmanship once they understand it."

Chanel makes concessions to modern methods. Between 200 and 300 clients order each season (though how many outfits is not revealed) and with 90 workers their ateliers are smaller than some with fewer clients. With a global clientele who cannot all come frequently to Paris, they can work from fewer fittings and by building trust with the customer. They also take the collection to New York and Los Angeles. But the handwork is never skimped. An unembroidered dress or *jacket still* takes between 120 and 150 hours to make. Prices start at about £7,000 for a day dress, with suits costing up to £15,000, although exact prices are never quoted except to clients.

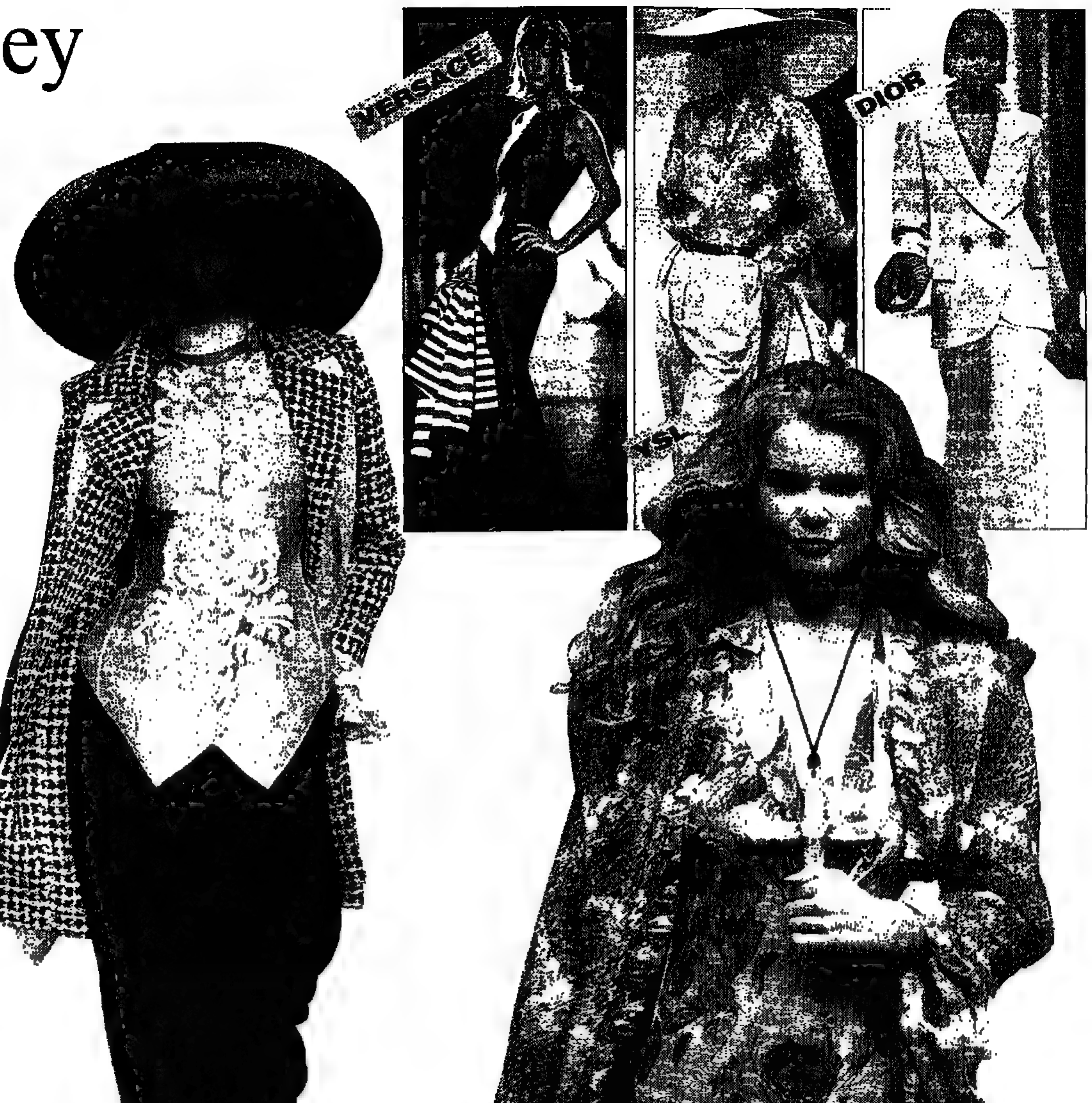
Every house has its own subtleties and at Dior much pride is taken in the way a perfectly fitted couture outfit compensates for any imperfection in the client's figure. "First we take her measurements and then fit a *toile* tightly around her," says head of couture Annick de Cizancourt, another picture of elegance in classic Dior pale grey. "This is built into a model of the client's body to make the outfit on."

The house has about 200 clients of whom 10 per cent are new each year, and 120 workers. The pace is more traditional than at Chanel – "most clients accept that it takes about two months to complete an outfit. We are total perfectionists. The client is paying for the work of a seamstress who has had at least five years' training."

Chanel and Dior insist that, although there are close links between the perfume and fashion sides, the fashion side – including ready-to-wear, accessories and couture – is financially independent.

At Ricci, the view is different. De Kouzmine claims 100 clients for whom about 300 outfits are made each season by 100 workers, who also do ready-to-wear alterations. The approach is more old-fashioned, with clients often being personal contacts of the staff who include a princess and a grand duchess. In spite of slightly lower prices, he says the lack of younger clients is a source of worry for the future. "We should look at money-saving alternatives," he said, "like smaller collections, maybe more *de luxe* ready-to-wear and less couture, maybe showing only once a year as Cardin is going to do."

The designers, though, know where the crunch comes. In couture's heyday a client always expected at least one consultation per season with 'her' designer. Now it rarely happens except for special wedding dresses. "Designers are paid to create: they're very busy," says de Kouzmine. "And they know that couture is not what makes the house's living."



■ St Laurent's tailored check and soft chiffon – three pieces, about £12,000
■ Versace's striped jacket and dress with a swing in the tail – about £9,000
■ Dior's perfect jacket and soft trousers – *about £9,000*
■ Lacroix's mix of 18th century and 1970s – three pieces with embroidery, about £20,000
■ Chanel's rich-hippy tweed coat and flowery chiffon layers – about £17,000
Photographs by Niall McInerney

■ THE spring collections, shown this week, are an object lesson in the soft look. Main themes are: Historical romance, with piratical fox coats over ruffled chiffon (Versace and Lacroix), Edwardian curves over chiffon pleats (Chanel), 1930s style bias-cutting (Chanel, Hanae Mori, Lacroix, St Laurent), wide soft trousers at Lacroix, Dior, St Laurent and flares only at Versace, transparent and mesh fabric at Versace, Chanel, Dior, rich-hippy, mixed-flower prints at Chanel, Lacroix, St Laurent and Ungaro, white drapes at Dior, Balmain, Ungaro and Chanel.

Obituary

Grand old man of gardening

***Robin Lane Fox** pays tribute to Arthur Hellyer*

ARTHUR Hellyer, who died on Thursday afternoon, was the grand old man of English gardening, a position which he occupied with characteristic modesty, kindness and generosity.

His honours were of the highest: he received the MBE in 1967, and the Victoria Medal of Horticulture from the Royal Horticutural Society. Admired internationally for his many works of reference, he was one of the great gardening editors in the world of magazines.

It was very much in the later stages of an already famous career that in 1959 he became gardening correspondent for the *FT*. He met his weekly task without interruption. He was never a man for unpunctual copy or a week off. He belonged to a veteran school where the standards demanded professionalism without fuss.

His long life took its distinctive turn after early fears of fatal illness. Born in 1902, he left Dulwich College, south-east London, aged 13 when diagnosed as having tuberculosis. After being advised to work outdoors, his first job was growing tomatoes on the Channel Island of Guernsey. Then he moved to a farm on neighbouring Jersey.

The islands were linked to his family through his Uncle Ernest, who was Jersey's state auditor (Arthur once joked to me that he might have been a little too investigative for some of his readers on the *FT*). It was Ernest who owned the Jersey garden, about an acre in area, which Arthur inherited in 1956.

But his main home lay in Sussex, where he turned 7½ acres of woodland and derelict ground at Rowfant into an imaginative, beautifully-planted design. One garden would have been enough for most of us but Arthur managed two, without any hint of strain.

From the Channel Islands, he graduated to the world of journalism. In 1929, he moved to *Amateur Gardening*, his natural home for the next 38 years. He edited this great British institution from 1944-67 but still found time for the gardens, three children, a devoted marriage, a score of important books and fine photography, not to mention his distinguished articles for *Country Life* and the *FT*.

Arthur's style was unmistakable: clear, informed, accessible to any plain reader but always alert to a new technique. Then there were those golden moments when experts were proposing something without persuading Arthur that they knew the answer.

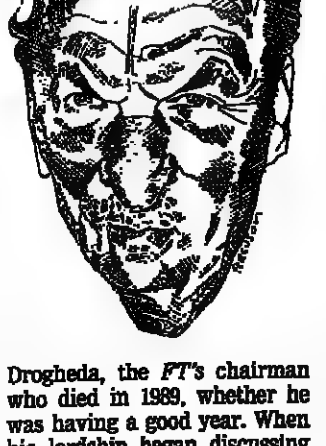
His wife, Grace, whom he married in 1934, was the mainstay of this generous life, herself a botanist and the ideal sounding board for each week's written pieces until her death in 1977. Daughter Penelope then took on this role. With their help, he never forgot that he was writing for people who knew so much less.

Through his own work, meanwhile, his range was universal. He and his wife ran a fruitful market garden for several years; during the droughts of the mid-1970s, they did a memorable "double act" for the *FT* on the glut of cucumbers and their recipes for the best cucumber soup.

Simultaneously, Arthur was writing assured historical articles with an eye for great gardens' style, changing design and social context. He brought dozens of lesser-known places to a wider audience, in *Country Life* as well as the various RHS journals.

Journalism is said to be a catty profession, and there was ample scope for tricks from the resident old tom cat when I was appointed in 1970 as a completely unknown second string with the brief of writing mid-week. The deputy editor drew the task of taking us to a London restaurant where Arthur greeted me by saying that my recruitment was great news for gardening and the *FT's* commitment to it.

He went on to ask Lord



Drogheda, the *FT's* chairman who died in 1989, whether he was having a good year. When his lordship began discussing quarterly profit, Arthur said he meant a good year for the camellias following his own recent visit to the Droghedas' garden to give his free advice.

Even Arthur had his favourites in the world which he knew universally. I think of the hardy fuchsia Brilliant; the blue hydrangea Vicomte de Vibraye; a viola called Wellsiana, which was kept alive exclusively through his efforts; the mysterious white climbing rose which an old nurseryman gave him in the 1920s, and which he sent me to run up a tree; and the freesias which he and his wife grew with such skill and fondness. Not that he ignored the rest of this paper. While we all read his gardening columns, he would be an avid reader of the main business of the *FT*.

For 22 years, this newspaper inadvertently employed two gardening columnists who were mad-keen followers of the market without either confessing it to the other. Their results, no doubt, reflected their differing characters: Arthur's, I guess, were sceptical and sensible, but I also suspect that he liked a gamble and that some of them were as bad as mine.

Since 1921, he had supported the Gardeners' Royal Benevolent Society, where he served on the council – one of many such public roles. His final brief illness was spent in their care, surrounded by flowers from the dozens of friends whom he always attracted.

A few days ago, Penelope brought him camellias and some stems of willow from the garden, but one of this country's sharpest judging eyes had not lost the flare which served the RHS for so long. The willow, he told her, was not up to much; and as for the camellias, they must be Lady Clare, although they had no label.

Penelope already has begun a nursery of her own at Rowfant, much to his pleasure: her hope is that the garden will open to the public eventually, preserving the style and skill which Arthur and his wife stamped on it.

The loss to his two sons and daughter is partly ours and all his *FT* readers will send their sympathies. The length and breadth of his life made him the most influential and respected writer on gardening of his time.

TRAVEL

Carnival and caribou …in moderation

Kevin Piley enjoys Quebec's winter frolics

IF YOU have never found yourself in the middle of the night standing in 2ft of snow, chatting merrily to a 7ft snowman, you have not experienced hypothermic delirium or the Quebec winter carnival.

The Quebec carnival is one of the world's largest. However, in terms of audience participation and organisation it still claims third place behind the Mardi Gras celebrations in New Orleans and Rio. Each February, 600,000 *carnalveux* (double the number of Quebec's permanent population) enjoy the show.

It started in 1894. Since 1973 the carnival has been spread over 11 days and is held each year from the first Thursday in February to the second Sunday. This year's dates: February 4-14.

It takes a certain insanity to enjoy a rave in sub-zero temperatures, but the Quebecois attach great importance to their carnival. It is the highlight of their bitingly cold and unequivocally wintry winter. It is also their third-largest revenue-producing event. Rooms in hotels like the Chateau Frontenac and Hotel des Gouverneurs are at a premium and booked years in advance. Some families and companies have season tickets.

Just as the Soviet Union used to parade its military might in Red Square, so the Canadians seize the chance each February to show off their enormous stockpile of red noses, roadside slush and *joie de vivre*. Innumerable bundles of teeth-chattering, feet-stomping, lurid and puce winter-wear line the streets of the Old Quarter drinking caribou, which tastes as if it is made from red wine plus the lubricants used in the city's snow-blowers.

Caribou is traditionally drunk out of a long plastic hollow walking-stick topped with the face of Le Bonnehomme Carnival. It is powerful stuff and numbs you to the acute cold and all other manifestations of the outside world within seconds.

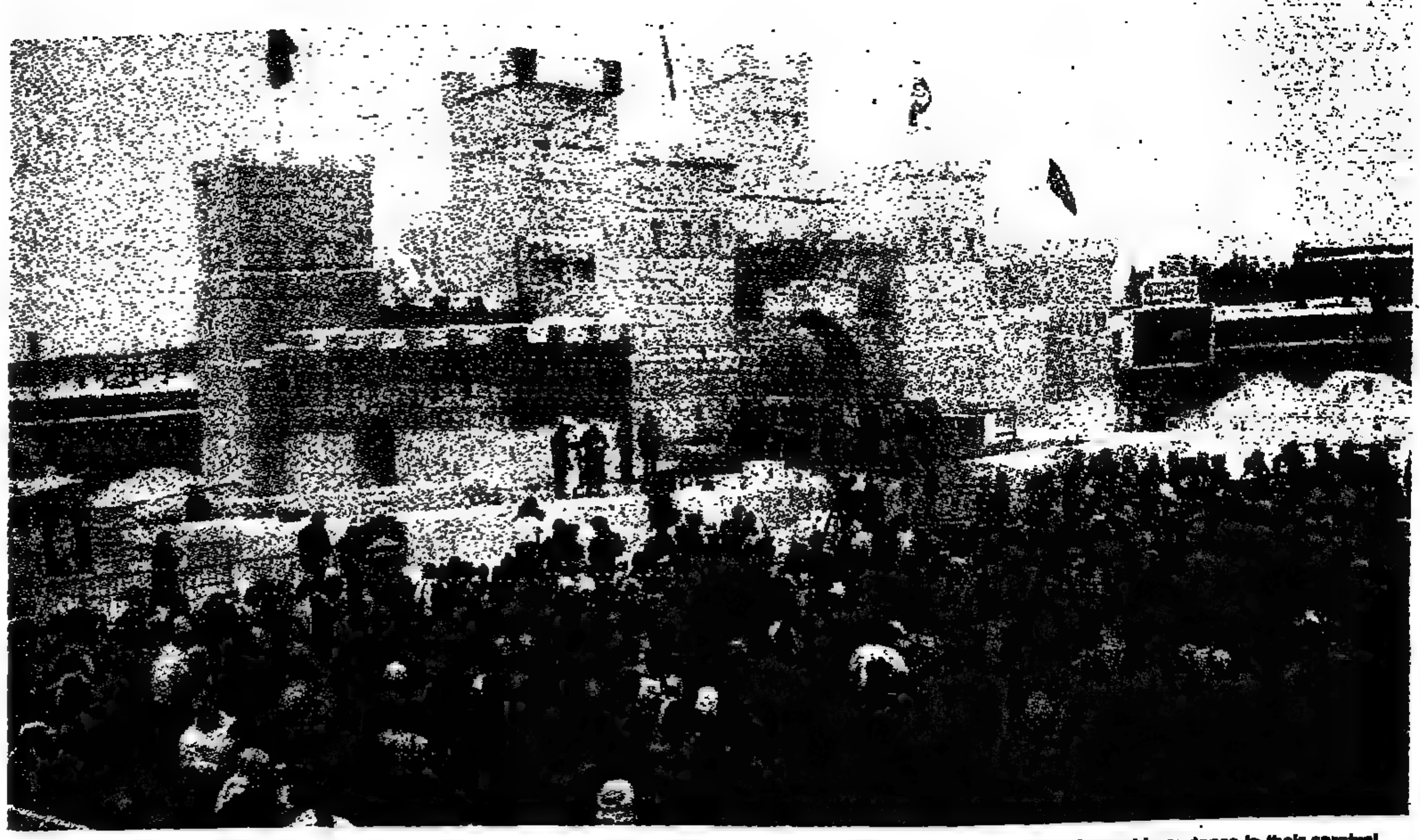
The festivities are centred around the Ice Palace at the Place du Palais opposite the parliament building. It claims to be the biggest compacted snow structure in the world, measuring 70ft high by 60ft wide, and is the official residence of the ubiquitous Bonnehomme Carnaval, the world's first and – so far – only full-time professional snowman.

He presides at all events, after which he embarks on a world-wide promotion tour. He looks like the Pillsbury Doughboy after a course of growth hormone therapy and his identity, from one year to the next, is a closely guarded secret.

Le Bonnehomme is the official starter at the annual two-mile international canoe race across the St Lawrence which consists of teams of five masochists rowing and then carrying their boats across the ice floes to Levis and back for a cash prize. There are snowmobile races and a prestigious snow sculpture competition on the Fields of Abraham the scene of the battle between Wolfe and Montcalm in 1759.

Quebec was founded in 1608 and in La Rue Petit-Champlain it has North America's oldest street. The French influence is maintained and cultivated. The best restaurants, like Restaurant Bonaparte, are found along the Grand Allee.

Le Restaurant au Parmesan on Rue Saint-Louis is famed for its minestrone soup and for its owner, Cesar, who will towel down your hair for you when you arrive. He also has an interesting way of maintaining a swift turnround of covers: he employs an accordionist.



The ice castle at the winter carnival: it takes a certain insanity to enjoy a rave in sub-zero temperatures, but the Quebecois attach great importance to their carnival

Refresher courses in history and body heat retention are available throughout the day at the Battlefields Park Museum which offers audio-visual reenactments of various momentous sieges and Canadian capitulations down the ages.

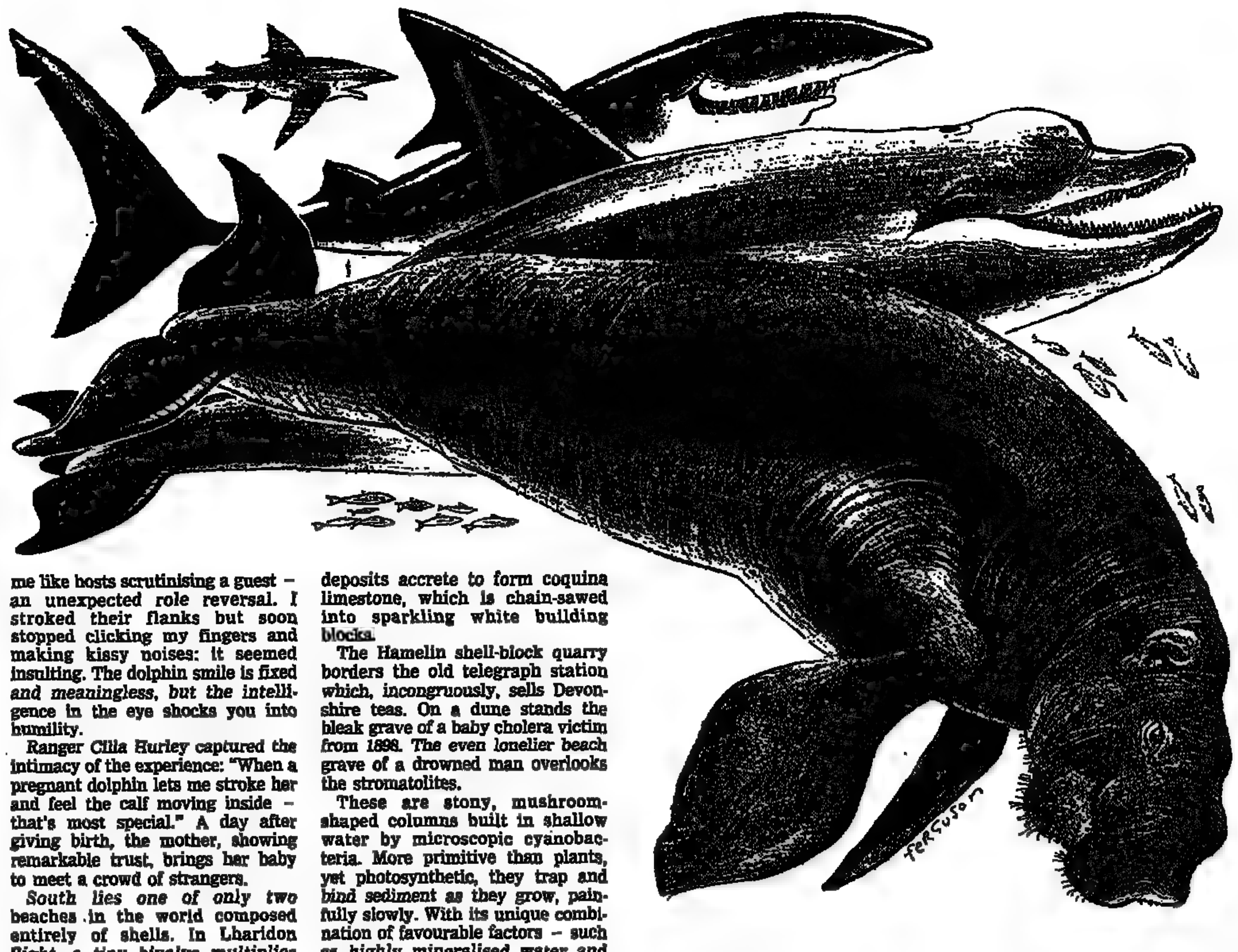
The carnival's climax is a parade consisting of floats which look like cars covered in brightly-painted tarpaulins strung with Christmas tree lights, which is exactly what they are. There are lots of marching bands with smoking trombones and frost-bitten clarinettists and high-kicking baton twirlers with goosepimples protruding through their hosiery.

Canadians refuse to let either their economy or their social life stagnate in the depth of winter. If you are visiting Canada anyway, the carnival is worth taking in. As is caribou – in moderation.

■ *In London, Tourism Quebec is at Quebec House, 59 Pall Mall, SW1, tel: 071-930-8314. British Airways (tel: 0345-222111) is offering 21-day advance purchase tickets to Quebec via Montreal for £399 until March 31.*

TRAVEL

A wild west where dolphins play and life itself was born



WE WERE flying over Shark Bay's vivid jigsaw – bloody dunes, turquoise lagoons, bottle-glass sea, indigo submarine meadows. Down there, you could fraternise with a dolphin, follow the stromatolite road to an evolutionary time warp, and maybe spot a mermaid – in one day if you hurried. But everyone said: "Nobody rushes round here."

I saw my mermaid only from the aircraft, so she looked no bigger than a slug. She is the dugong, or sea cow, aquatic cousin of elephants. Sailors seeing voluptuous, lactating females dreamed up mermaids. The dugong's face must have been a let-down; but then, sailors were at sea a long time.

Side tracks lead to mangrove lagoons where Siberian snipe come to holiday; or to mysterious blue holes on empty beaches where you can float Dead Sea-fashion; or to stark, treacherous viewpoints like Eagle Bluff where I watched a manta ray fly like a carpet through clear green water. Far out in the bay, something huge was thrashing, silently. Nobody knew what it was. The thrill of mystery remained.

Birridas – gypsum claypans – pockmark the land, rising and falling with the tides. They look solid but a vehicle easily breaks the crust, sinking into ooze. Only samphire grows on the claypans; mispronunciation of the plant's name has given birridas the evocative name "sandfire flats." Emus crossed the road, and snakes; Shark Bay's 96 reptiles include the deadly king brown.

***Julia Berney** marvels at Shark Bay, an Australian outpost so remote that special tax rebates compensate for the isolation*

Below stretched prongs of treeless land and seawater evaporation tanks. Pilot Jeff dumped Saturday's newspapers under a bush, for the solar salt township of Useless Loop. Then we buzzed over Dirk Hartog Island, looking down onto circling sharks and loggerhead turtles.

Hartog, in 1616, was the first of several mariners who were not overly impressed with Australia's westernmost point. Place names reflect their frustration: Hopeless Reach, Useless Inlet, Disappointment Loop, Mystery Beach. The dearth of fresh water confounded them. The log of a French captain named Hamelin recorded "gloomy shores" and "miserable sterility."

The mainland approach also looks unpromising. The coastal highway's only focal points for hundreds of kilometres are roadhouses surrounded by bottle trees – dead shrubs adorned with empties, the art of the litter lout glittering like apocalyptic Christmas trees.

But turning to Peron Peninsula, which bisects Shark Bay, you suddenly wake up to its weird beauty.

Before the little town of Denham, we crossed the 26th Parallel. This is north-west Australia's frontier, above which special tax rebates compensate for the isolation. Remote, yet cosy, Denham feels like a Cornish fishing village gone tropical beside a tepid sea. It possesses a supermarket called Tradewinds, a Silverchain Bush Nursing Post visited by the flying doctor, and a shell museum run by a Filipino lady. A notice advertises: "Many things to be gazed" for "$1 each person, great or small."

After dark, barefoot and careless on the jetty, I trod in squid ink. In the night water were beautiful sea snakes, bites from which can kill in 30 seconds. Samoan girls were catching squid by the bucketful, screaming in the wind as every one spurted its last indelible defence across the decking. I wore my black feet all next day. A note in my room begged: "Please use desalinated water sparingly to conserve the subsidised supply and avoid severe penalty charges to us."

Even in a cosmopolitan country, Denham's mix is rich. It includes Maoris and other Polynesians, Chinese, Mauritians, European allsorts, Aborigines – in fact, almost every ethnic group, plus hybrids – and the racial harmony positively glows. This was not just my outsider's rosy impression. It was confirmed by Denham-born Rod Drummond, who labels himself happily as "bitsa" – bits of this, bits of that, chiefly Aboriginal, Malay, Melanesian and Norwegian - and thanks his mixed blood for "letting me evaluate both sides of an argument – see the black and white views."

The melting pot began in the mid-19th century. European pastoralists arrived – sheep tolerate artesian water too salty for human consumption – and then pearling attracted the Asians. Once, Denham had a pearl-shell road. Now, an industry that died has been resuscitated.

From Monkey Mia, I reached the pearl farm by glass-bottomed boat. Green turtles lumbered below; longtom fish tailwalked the ripples like big silver pencils. A thunderhead was dropping rain that evaporated halfway down the sky.

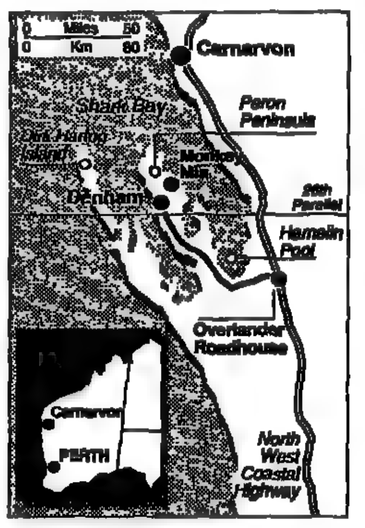
Pearls are sold in a floating hut. The attraction of paying wholesale export prices (roughly half those in jewellers' shops) seemed to be equalled by the romance of buying pearls directly above the oyster lines. The farm cultivates white and black pearls, but you can also buy golden and cream pearls that develop from the yellow nacre typical of Shark Bay oysters.

Monkey Mia, named after a boat, is famed for the bottlenose dolphins which for three decades have swum inshore – in water so shallow they almost beach themselves – to mingle with people. This is no stage-managed show. The dolphins are wild. Hand-feeding, which is very restricted, cannot be the sole attraction: dolphins sometimes give the fish back. Nobody, from animal behaviour researchers to tourists, doubts that the dolphins visit just for human contact.

I sensed the dolphins observing me like hosts scrutinising a guest – an unexpected role reversal. I stroked their flanks but soon stopped clicking my fingers and making kissy noises: it seemed insulting. The dolphin smile is fixed and meaningless, but the intelligence in the eye shocks you into humility.

Ranger Cilla Hurley captured the intimacy of the experience: "When a pregnant dolphin lets me stroke her and feel the calf moving inside – that's most special." A day after giving birth, the mother, showing remarkable trust, brings her baby to meet a crowd of strangers.

South lies one of only two beaches in the world composed entirely of shells. In Lharidon Bight, a tiny bivalve multiplies unchecked because it enjoys hypersalinity – caused by high evaporation from shallow water – which precludes its predators. Beach deposits accrete to form coquina limestone, which is chain-sawed into sparkling white building blocks.



The Hamelin shell-block quarry borders the old telegraph station which, incongruously, sells Devonshire teas. On a dune stands the bleak grave of a baby cholera victim from 1898. The even lonelier beach grave of a drowned man overlooks the stromatolites.

These are stony, mushroom-shaped columns built in shallow water by microscopic cyanobacteria. More primitive than plants, yet photosynthetic, they trap and bind sediment as they grow, painfully slowly. With its unique combination of favourable factors – such as highly mineralised water and restricted circulation – Hamelin Pool houses the world's only major colony of living stromatolites.

Walking this reef is like journeying back into geological time for, metaphorically, these stromatolites are stepping stones from the beginning of evolution. For billions of years, cyanobacteria were pumping out oxygen when no higher life form existed to use it up. We are still recycling that oxygen stockpile. Stromatolites paved the way for all other life.

Shark Bay's ecosystem is balanced finely. Stromatolites; rich desert wildlife; the world's most secure dugong population, 10,000 strong; island refuges of marsupials extinct elsewhere, and a sea boiling with fish – all merit protection.

Shark Bay has now received a World Heritage listing. This antagonises many pastoralists, salt miners and commercial fishermen who, naturally, defend their livelihood. Tourism, too, might seem to conflict with conservation needs but Jim Matan, a regional tourism manager, told me of the "new sensibilities" influencing potential development. Basically, Shark Bay is recognised as unique and precious, and anything that threatened the environment would be self-defeating for the tourism industry.

Western Australia's department of conservation and land management is turning Peron pastoral station into a national park. Sheep were removed first; then, with more difficulty, foxes and feral cats – immigrants responsible largely for Australia's marsupial losses.

At the end of the day, the juggling of interests in Shark Bay is mind-boggling. At the end of my last day there, however, my problem was staying awake. If I slept, I knew I would not rouse by 3am to reach the Overlander Roadhouse for the Greyhound, which hurtles through the night like a mobile dormitory.

Rod Drummond knew the local cure for flagging spirits. He took me to Peron, which has terrible beauty at sunset: the sand goes end-of-the-world red. Here, like a missionary in the cooking pot, I had to stand shoulder-deep in an old corrugated tank brimming with artesian water that comes up as hot as the hottest bath, then dry off in the tingly wind.

The desert hydrotherapy worked. I never slept until the Greyhound reached the bottle trees, a minute past the Overlander, an hour before dawn.

■ Denham is around 10 hours by road from Perth, or three hours by Western Airlines. From its tourist centre, Topday Safari Tours runs adventurous 4WD tours with guide Rod Drummond. Fishing tours and 4WD hire are available. The Old Pearler Restaurant serves excellent seafood. Julia Berney stayed at Denham Villas: self-contained units a stone's throw from the sea.

HOLIDAYS & TRAVEL on Pages XV and XIII

All bark, no bite

Mrs Gaskell deserves better, decides ***Jackie Wullschlager***

"Oh Mrs Gaskell – Fearful – Fearful! If I were Mr G. O Heaven, how I would beat her", wrote Charles Dickens.

BUT HOW dangerous was Mrs G? Like other women writers masked by chattel names – Mrs Radcliffe, Mrs Humphrey Ward – she was a middle class wife who shot out radical novels from behind the shelter of the marriage lines. Her public image was one of charity and good deeds. Was she a seething revolutionary or a busybody who turned the wretchedness of those she helped into sensational fiction?

Mrs Gaskell's life was active, happy, and uneventful. Brought up in a country town, she married at 21 a hymn-writing Unitarian minister from Manchester whose compositions included "Meekly Take Thy Place Assigned". She threw herself into motherhood and social work among Manchester's poor, and in 1848 wrote her first novel of working class life, *Mary Barton*. It was seen as a call to revolution, while a successor, *Ruth*, about a seamstress left with an illegitimate child, was ritually burnt by her husband's parishioners. Charles Kingsley heralded the first book as a Chartist tract but found *Ruth* too powerful: "I don't think I shall go on with it. I am sure it is not going to be pleasant," he said, after 20 pages – he had the same response to *Othello*.

Today these worthy tales seem tame and genteel, but through the 1850s Mrs G thrived on the controversy they sparked, denied political interest – "No one can feel more deeply than I how *wicked* it is to excite class against class" – and grew rich on royalties. She became friends with Dickens and Charlotte Brontë, and dreamt of life away from Manchester. At 53, she purchased unseen a large house in Hampshire as a surprise for her husband, sped around collecting furniture, and whizzed south to see the result. Hours after crossing the threshold, she collapsed in her daughter's arms and died.

ELIZABETH GASKELL: A HABIT OF STORIES
by Jennie Uglow
Faber £20, 690 pages

For a biographer, the trouble with Mrs Gaskell is that her life was full of people more interesting than she was, and that her relations with them mark her own limited imagination. A letter to George Eliot, living openly with G.H. Lewes, ends: "I should not be quite true in my ending, if I did not say that I wish you *were* Mrs Lewes." The difference between Charlotte Brontë and herself, she writes, "is that she puts all her naughtiness into her books and I put all my goodness."

And that is the biographer's second problem: where a study of Eliot or Brontë reveals rich seams of crises, passions and self doubts that fuelled *Middlemarch* or *Jane Eyre*, Elizabeth Gaskell's even, beautiful life tells unfashionably little about her work. She recognised as much in answering an enquirer: "I do not see why the public have any more to do with me than to buy or reject the wares I supply to them." She was every inch the bourgeoise entertainer, and not at all the alienated artist.

That leaves the biographer with a socio-historical approach, and there is much here – Mrs Gaskell's energy, morality, ambition, her domination of her daughters – that is emblematic of the mid-Victorian age, as well as scope to set the outlook of novels like *North and South* or *Ruth*, which finally kow-tow to middle class respectability, against work by, say, Zola or Hardy, which really did ask inflammatory questions.

John Sutherland, in his life of Mrs Humphrey Ward (1990) showed how the mind of a Victorian writer could be a fascinating focus for the thoughts and dilemmas of an age. But Miss Uglow has no insight into the Victorian world view, and she assembles the minutiae of trivia and detail, of places visited, meals eaten, without ever building them into a general picture. This is biography of the "new year of 1852 began with the usual bustle" (page 299) genre: dull, undirected, humourless and far too long. A good literary Life sends one back to the work; this one confirms Mrs Gaskell's own modest opinion, that barely one of her novels bears re-reading. She deserves a bolder and more eloquent rescue.

Marcus Aurelius, c.140, in Rome's Museo Capitolino, from 'Roman Sculpture' by Diana E E Kleiner (Yale £35, 477 pages). In what is claimed to be the first book in a century devoted solely to Roman sculpture, Professor Kleiner sets the works in their cultural, political, social and architectural contexts

Stark look at virgin territory

J.D.F. Jones on a book about the bits Dame Freya did not mention

ONE OF the curious things about Freya Stark's travel books is that she is *always* falling ill. It comes as a bit of a shock to the armchair reader to realise that this famous maiden lady voyaging to the remoter corners of Arabia was a hypochondriac: we begin to wonder why. But she cannot have been as frail as all that. Tomorrow, in her home in Asolo, she arrives at her one hundredth birthday. Perhaps it is just as well that the old girl is in no mental state to be aware of this new biography.

Molly Izzard, who is herself a long-time Middle East hand, has decided that it is time to de-bunk – to de-mythologise – Dame Freya's carefully presented life story. To do this she has placed herself, as biographer, at front of stage, and described her long and fascinating investigation into the truth behind the legendary image of the Great Traveller. Her exploration of a personality, as she puts it, takes her into territory which Dame Freya (in her voluminous memoirs and published letters) and her faithful friends have always been careful to avoid.

FREYA STARK: A BIOGRAPHY
by Molly Izzard
Hodder & Stoughton £25, 342 pages

The first 35 years, for example, have had only the sketchiest of maps. Now we can see the semi-invalid daughter of an unhappy middle-class marriage, traumatised and scarred by a head wound and jilted by her Italian fiancé, taking Arabic lessons with the vague idea of becoming a governess in the Middle East. Once into Lebanon with a wealthy woman friend in 1928, Freya discovered her vocation.

But hold on, says Mrs Izzard – she was never a *serious* explorer: her pre-war travels were very modest and brief affairs, as the local colonial officers always knew, though they were willing to help her and rescue her when she fell sick. Her true gift lay in her writing – "the deft concealment of the practical under the poetic" as the biographer describes it – in which she re-worked the material first drafted in the thousands of letters she used instead of a journal. Dame Freya, it is correctly insisted, is not worthy of the frequent comparison with Gertrude Bell.

That is also true of her war-time activities when she was posted to Cairo and Baghdad to organise her "Brotherhood of Freedom", the *Ikhwan al Hurriyah*, a clandestine network of pro-British locals whose importance is hard to assess in these post-Nasser days – a sort of "Greenmantle in reverse" is Izzard's witty comment (Buchan's version was the *Ka'aba al Hurriyah*). What is clear is that by the end of the war Freya Stark was a celebrity, her reputation as a Middle East expert established, but by no means justified with hindsight.

By this time, and after the necessary passage on Freya's late and absurd marriage to her homosexual colleague Stewart Perowne, Mrs Izzard loses interest. There is next to nothing in this book about the past 40 years of Dame Freya's life, and rather too much on the newly discovered family background. There is also too much speculation about motivation.

We are to understand that Dame Freya was in reality an egotistic self-publicist, naive, exploitative and spiteful to old friends, a psychosomatic fantasist who used her symptoms to attract attention, an Edwardian imperialist who never had any sense of Arab nationalism. "Her preferred associates were wealthy, with important connections or influential family backgrounds, preferably rather grand. She had little time for the humble and the obscure except as ministrants to her own comfort and needs, on whom her bland affability and easy manner usually produced a gratified willingness to be made use of . . ."

This last does at least suggest that she had charm, as her friends would certainly agree. Whether she was in love with her mother – or with her father – and what that meant for her sexuality . . . well, by now Mrs Izzard is out of her depth.

This book was commissioned by Dame Freya's attentive and long-suffering publishers, John Murray, who, when they saw it, changed their mind. They had earlier declined the eight volumes of collected letters which Dame Freya insisted on publishing in her eighties. But it is worth going back, not just to the 1930s travel books but also to the John Murray 1988 selection of letters in one volume, *Over the Rim of the World*. There is a tone of voice in them which this mischievous, very readable birthday present does not adequately acknowledge.

LOUIS XVI
by John Hardman
Yale £19.95, 264 pages

GUILLOTINED two hundred years ago on January 21 1793, Louis XVI remains the most elusive of monarchs. His piety, his silences, the disappearance of many of his papers, are so many barriers to understanding. Revolutionary propaganda and the royalist cult of the Martyr King have further distorted the truth.

Paradoxically, Louis XVI was at first a success. When he was only 20, in 1774, he inherited a weak and discredited throne. Yet he restored French finances and diplomatic prestige, defeated Britain in the War of American Independence, and began a programme of unobtrusive but effective reforms – including civil rights for Protestants, long before Catholics had them in Britain. In some ways he was more modern than his immediate successors. Beside his conscious rejection of territorial annexations in Europe, the expansionism of the Republic and the Empire appears infantile and counterproductive.

He was well educated and intelligent (his German and English were excellent). His obsession with facts and figures – revealed in his famous hunting diary – helped his grasp of finance. He was more opposed to the violence and arrogance than to some of the aims of the revolutionaries. According to John Hardman, in 1787 he "virtually called the Third Estate into existence as a political force." Why then did he die beneath the guillotine's blade?

One answer is his conscience. No monarch or ruler can afford to say, as he did at his travesty of a trial, "I declare to you that my conscience reproaches me with nothing." His predecessors had devoted themselves to strengthening the royal power-base and propaganda machine. Louis XVI put *le bonheur des français* first, thereby losing the power to realise it.

Cruikshank's view: Philippe Egalité with the head of Louis XVI

Victim of the Revolution

Philip Mansel *discusses a much maligned monarch*

Few kings, however, have faced such difficulties – and such treachery. Beneath a show of obedience, members of his family, and some of his ministers, pursued policies hostile to his own. Hardman shows that the Comte de Vergennes, one of the greatest foreign ministers in the history of France, a confidant and favourite of the King, intrigued against the King and Queen during the Diamond Necklace Affair in order to bring witnesses favourable to the Cardinal de Rohan back to France. The Finance Minister and popular idol Necker sabotaged the *Séance Royale* of July 17 1789. The Right in the National Assembly was as ready to flout the King's will as the left.

John Hardman's biography coincides not just with the two hundredth anniversary of the King's death but with the final realisation by much of French opinion that it was worse than a crime, a mistake. Only 262 pages long, this is a political history, with little on the King's piety, his concern for the poor or his artistic patronage.

In my opinion, Hardman is not critical enough of such sources as the denigratory diary of the Abbé de Veri or the hagiographical memoirs of Baron Hué. Nor is he sufficiently forthright about the treachery of Marie Antoinette towards her husband. Not all errors are minor. Far from showing that the King continued paying those bodyguards who emigrated, the papers from the Tuileries show that he stopped. The posthumous cult of Louis XVI is ignored.

Nevertheless, the force of prejudice, especially about royal figures, is so strong that this is the only sane assessment of Louis XVI in English since his death. The bright light of Hardman's archival research dispels the fogs of revolutionary and royalist propaganda. A different man emerges: energetic, sardonic, rarely influenced by the Queen except perhaps in 1787-9. He could fly into "a towering rage"; different ministers described him as "harsh" or "implacable"; he had a sense of humour (he called Catherine II Madame Potemkin), and a grasp of reality. Although he failed to exploit it in the crucial months May-July 1789, he knew that the *amour propre* of "the bourgeoisie" (his term) was one of the main forces behind the revolution. By July 1789 the Paris mob was uncontrollable and the royal army unreliable. To have survived on the throne, and saved France from civil war, for three more years, was no ordinary achievement.

On the political history of the reign Hardman is generally judicious and interesting. By ignoring the military dimension, he fails to explain why the King lost, or failed to use, *ultima ratio regum*: cannon power. This breakdown, more than fundamental political conflict, is the real explanation for the hiatus in monarchical power in France between 1792 and 1804.

FT Children's Book of the Month

Multi-cultural tales

IN THE recent past, collections of traditional stories have tended to be grouped in ways that have emphasised the set-apartness of different cultures. The long-established *Oxford Myths and Legends* series, for example, takes us through Yugoslav folk tales, Chinese myths and fantasies, Irish sagas, French legends, German hero-sagas and much else. What was required – and what the book under review provides – was a single book that brought some of the best stories together from all over the world so that children could enjoy an extended exercise in ancestral cross-fertilisation.

REALMS OF GOLD: MYTHS AND LEGENDS FROM AROUND THE WORLD
by Ann Pilling, illustrated by Kady MacDonald Denton
Kingfisher £9.99, 96 pages

In her introduction, the novelist Ann Pilling quotes the remark by C.S. Lewis, one of our great modern myth-makers, in which he tried to explain why it is that myths and traditional stories have an enduring hold over us. Myth, he said, is perhaps "an unfocused gleam of human imagination falling on divine truth".

A more secular reading of that remark would make references to wisdom, poetry and human value systems that are held in common. In this book, for example, we find Midas, who must for ever re-learn his lesson about the greed for gold; Perseus, perpetually in thrall to the spirit of adventure; the two giants, one Scots, the other Irish, who, though mighty in arms, are dolts in the extreme; and the Norse god Balder, who must learn a painful truth about the relationship between love and death.

Then there are the stories that were told and re-told in response to questions about the mystery of the natural world. Who put the moon and the stars in the sky and why? What is the origin of fire? These are as much questions asked of the imagination as of the reasoning mind. No matter what factual glosses may be put upon them, the answers given in story or fable are just as likely to provide us with equal amounts of heat or light.

The book is divided into three sections: "Earth, Air, Fire and Water", which deals with elemental mysteries and takes in tales from Africa, North America and the Pacific (the best of these is a Nigerian myth, *Water, Moon and Sun*, which describes how the moon and the sun, once happily married, came to suffer estrangement); "Love and Death", which includes the touching Welsh legend, *Bedd Gelert*, about the terrible fate suffered by a faithful dog who is killed by his own master for protecting his baby from the wolf; and "Fools and Heroes". *The Wishing Fish*, a Russian tale in this last section, has surfaced in many different forms in the past. When Rumer Godden retold it as *The Old Woman Who Lived in the Vinegar Bottle* in 1972, for example, she gave it an Irish setting.

Some of these tales, it seems, are as doughty, fearless and quite as full of wanderlust as the questing salmon.

Michael Glover

Like father, like daughter

WENDY FAIREY'S mother was Sheilah Graham. Fairey was certain of that. Most people who know anything about F. Scott Fitzgerald know something about Sheilah Graham and her "College of One". She was the East End girl who moved from a Jewish orphanage to become a Hollywood gossip columnist and then Fitzgerald's love at the grim end of his days.

Between drinking and writing not-so-good stories to pay for his mad wife Zelda's hospital, he discovered the fun of playing Henry Higgins to a glamorous but ill-educated young woman. The result, according to Sheilah who wrote a bestselling book about it, was that she inspired Fitzgerald to produce at least a part of that brilliant novel, *The Last Tycoon*.

All this may seem a long build-up to Wendy Fairey's search for her identity, but the ghost of Fitzgerald hung over her childhood as the father she had never quite *had*. As it turned out, the father she thought she *had* was not her actual natural father, and when she discovered his existence after her mother died she was very pleased to acknowledge him – but he too had died, and had done her no favours in life.

To come out with a few names, Fairey's undistinguished first father-in-name-only was an Englishman called Trevor Westbrook who, as it turned out, Graham had married as a cover for the birth of her daughter – whose actual father was the philosopher Freddie Ayer. He and her mother's other lovers at that period were, so Fairey works out for herself, Scott substitutes. Thus the great man inspired her birth.

The thriller element is somewhat reduced by giving us Ayer at the beginning of the book. In fact more than half of it is about her mother, set in the lavish world of Hollywood in the 1950s as seen through the eyes of a clever, swottish girl. With ironic hindsight, Fairey describes a child out of place in her environment, who goes East as soon as possible and ends up, just like the father she did not know at the time, a professor.

ONE OF THE FAMILY
by Wendy W Fairey
W W Norton £15.95, 288 pages

The quest to put together the pieces of the family jigsaw is told with great intensity, an endearing honesty, but not much humour. Ayer, it turns out, had always known about her. Perhaps unsurprisingly, when she eventually meets him as her father, not just as a family friend, the professor, although good-natured about it, cannot quite rise to her expectations.

Three months after this meeting, Ayer died and Fairey received the first public acknowledgement of her new parentage in *The Times'* list of those attending his funeral: "Prof. Wendy Ayer". That is a moment of blackish humour.

Rachel Billington

Murky world of the secret service

Gary Mead *on security during the war, considered MI5's finest hour*

BRITAIN's security services have always existed in a dangerous constitutional vacuum, their wide-ranging powers untrammelled by too much concern for public accountability. Their principal claim on our affections has been the spawning of some good fictional thrillers.

This impressive book delves into the murky muddle which suffused the activities of the secret services during the Second World War. In many ways it was MI5's finest hour: government gave it its head to imprison, without trial and often without stated accusation, thousands of British and foreign citizens.

The most famous case, that of Sir Oswald Mosley, head of the British Union of Fascists, is still remembered; but Brian Simpson's meticulous study examines the blundering paranoia which led to the far worse treatment – including physical and psychological brutality – meted out to many other, forgotten names.

There are some grimly risible moments. In the House of Commons one MP critical of the round-ups, Richard Stokes, drew attention to the arrest and five month detention of a woman who had two children. When MI5 had searched her house "a diary was found for 1938 with the entry 'M.49 Destroy British Queen. Instal Italian Queen.' It took MI5 six weeks to find out that 'this lady kept bees, and that this entry referred to a method of improving the breed of bees.'" No matter; they still kept her inside for another 14 weeks.

Brian Simpson's book indicates that at times of high stress neither the British constitution nor its legal system are sufficient to safeguard abuses of power by secretive elements of the executive. On May 22 1940 parliament, which had been lied to by both government and the executive as to the full scope of the legislation, passed the Emergency Powers (Defence) Act, "which formally conferred on the executive the powers appropriate to a totalitarian state at war." That night the privy council passed regulation 18B (1A), which was to be used to detain without trial not just members and former members of the British Union but also those who had never been associated with it. Mosley was arrested on May 23.

IN THE HIGHEST DEGREE ODIOUS: DETENTION WITHOUT TRIAL IN WARTIME BRITAIN
by A W Brian Simpson
Oxford £35, 453 pages

Regulation 18B came into existence precisely because MI5 could discover no proof of Mosley's organisation being funded or controlled by Nazi Germany; one of its clauses provided that it was sufficient for an organisation to be subject to foreign "influence", and on that basis the BU was rounded up. At the same time, the certainly foreign-influenced and controlled Communist Party of Great Britain, which, unlike the BU, had considerable scope for causing industrial unrest, was left unhindered.

Mosley was a relatively easy target; his patriotic fascism had no real toe-hold amongst the general public. But in the process of bypassing laws to stifle an anti-democratic organisation, the furtive branch of the executive chipped off another protective layer of British civil liberties.

Britain's security services, backed by government, have long maintained that it would be an absurdity for their activities to be open to public scrutiny. That stance has become increasingly untenable in the light of recent events, not least the Matrix Churchill affair. Since 1974 Britain has operated the Prevention of Terrorism Act, giving the Home Secretary the right to sentence British citizens to internal exile to Ulster without the right of a trial. We have, in essence, not moved very far from Regulation 18B.

Thus the importance of this book, beyond its historical record, is its timeliness. Simpson, summarising just one element of his investigation, says: "the independent and secret character of MI5 enabled it to withold information and evidence from the Home Office's committee, and to pressure the Home Office into decisions whose merits the Home Office was unable to check, and for which the Home Office was nevertheless politically responsible." Contemporary Britain is glued to the 1940s in quite unpleasant ways.

هكذا من الأصل

Just a bundle of energy

A.C. Grayling goes in search of the grail of fundamental physics

SCIENCE has advanced so dramatically in the 20th century that its practitioners often feel, says Steven Weinberg, like "Siegfried after he tasted the dragon's blood, when he found to his surprise that he could understand the language of birds". First, Einstein's relativity theories changed our concepts of space, time and gravity. Later, quantum mechanics dissolved the world of material particles into wave functions and probabilities. And then the marriage of relativity and quantum theory produced a surreal world of hidden symmetries in which the concept of matter no longer figures.

This is heady progress. Part of Weinberg's aim in his stimulating book is to tell how it happened and what it means. He is well-equipped to do so; in 1979 he won the Nobel Prize for physics, and later wrote a famous popular account of the origins of the universe, *The First Three Minutes*. But Weinberg has a second and for his own purposes more important aim, which is to argue in support of a dramatic "Big Science" project aimed at exploring hitherto unreachable levels of physical reality.

In the last two decades, Weinberg says, particle physicists have been frustrated. The reason is that theory has outstripped experimental capacity. Theoreticians have leaped ahead in conceptualising the deep structure of the universe; but to test their ideas new laboratories are needed, unprecedentedly large and expensive. This book states the case for building them.

It is a topic close to Weinberg's heart. He is head of an $8bn project in Texas to construct a Superconducting Super Collider (SSC), a 53-mile-long oval tunnel in which protons can be smashed together at energy levels far greater than those now experimentally possible. The results promise a dramatic increase in scientific understanding.

In testifying to Congressional funding committees on behalf of the SSC, Weinberg found that he had to explain the recent history of particle physics, its present deadlock, and the discoveries that an SSC promises. He also found himself defending fundamental physics against its critics, among them other scientists wishing to promote their own research in the fierce competition for funds. An obvious format for a non-specialist statement of Weinberg's case is a book; and here it is – highly literate, comprehensive, challenging, a survey of an exciting and extraordinary field of enquiry by one of its leading figures.

Weinberg's task is to describe the current "standard model" of elementary particles and forces, and to explain why it is now at an impasse. The model results from marrying relativity and quantum mechanics, which are mutually incompatible in all but a very few interpretations. The standard model is the best of these few. In older theories, atoms were conceived as miniature planetary systems with electrons orbiting a nucleus. The new model argues that there are no particles as such, only bundles of energy in various fields. Fields are modifications of space, and there is one for each type of particle. Electrons are energy bundles or "quanta" in electron fields, photons are quanta in electromagnetic fields. The nuclear particles are themselves compounds of more elementary quanta, "quarks", each with their own fields. These phenomena are *described* by field equations, and their interactions – the strong and weak nuclear forces, the electromagnetic force, and gravity – are governed by the general principles of quantum mechanics and relativity.

DREAMS OF A FINAL THEORY
by Steven Weinberg
Hutchinson Radius £16.99, 260 pages

This model has proved highly successful in its predictive and explanatory power. But it is full of problems, which theoreticians have been trying to understand and which SSC-type experiments might resolve. The chief is that, although the standard model offers some success in unifying the electromagnetic and weak nuclear forces, it does not unify them with the strong nuclear forces. Still worse, it has no way of describing gravitation in terms of quantum field theory.

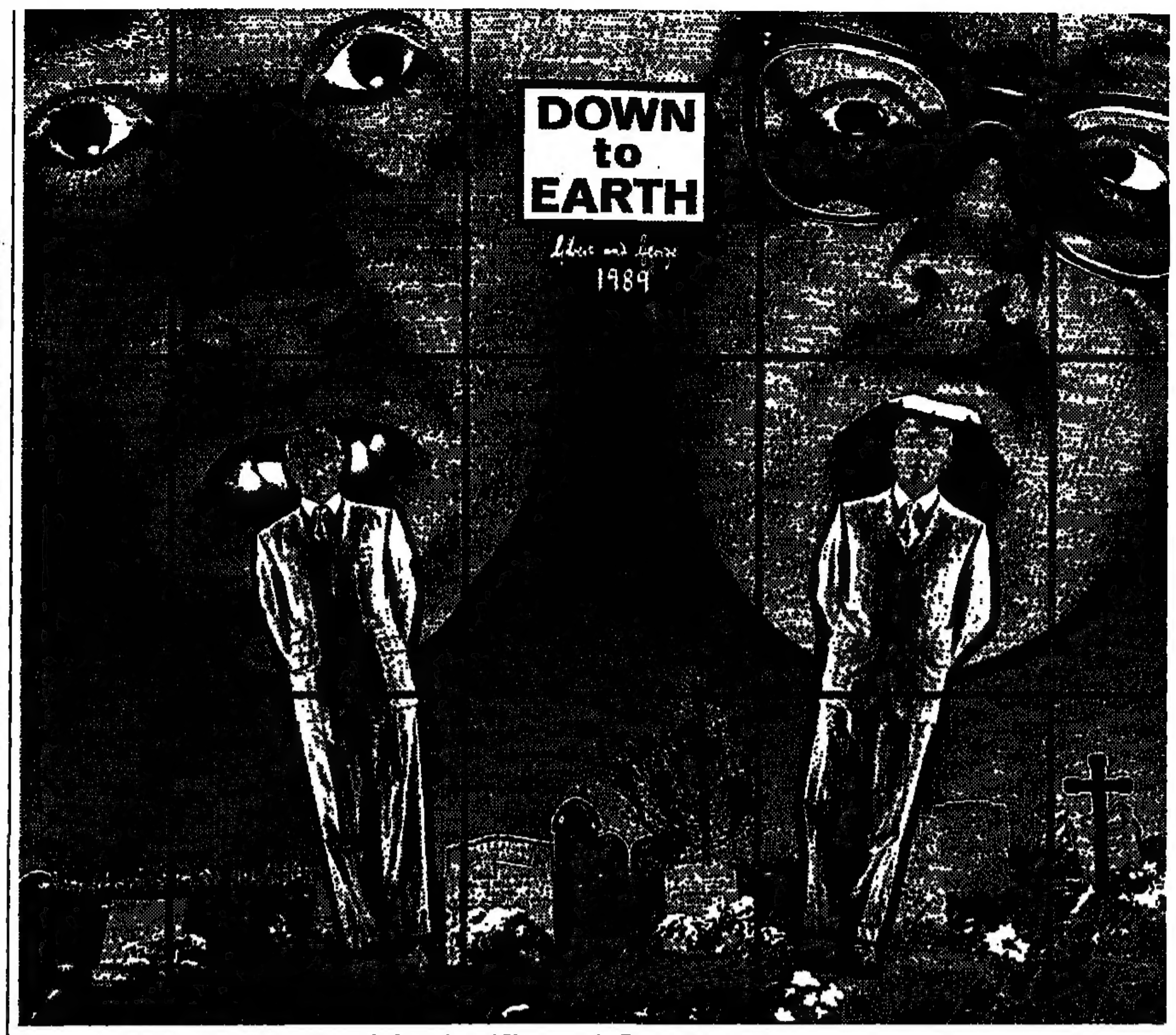
The aim of deriving a unified theory for all nature's forces is therefore at a stand. Such a theory is the grail of fundamental physics, and would, in Weinberg's view, constitute the "Final Theory" about physical reality. Theoreticians offer proposals, like "superstring theory", to overcome the standard model's difficulties. But only SSC-type experiment can turn such guesses into progress.

Weinberg promotes the SSC as a key towards discovering the final truth about the universe. This involves him in two controversial commitments. First, he is a realist about the standard model; he believes that field theory describes the world as it really is. And therefore, secondly, he is a reductionist about particle physics; he believes that all other sciences rest on it, and "with enough computer power and time" can be explained by it. These beliefs involve him in quarrels with fellow-scientists unpersuaded by reductionism, and with philosophers unpersuaded by realism.

Many biologists count among anti-reductionists. They see living organisms as having "emergent" properties inexplicable on the basis of microstructure alone. Emergent properties are those which complex systems have but their parts lack; consciousness, and life itself, are examples – neither seem inferrable from an organism's underlying physics. Even some of Weinberg 's fellow-physicists, those working on condensed matter and low temperature phenomena, are unpersuaded that particle physics answers their questions. These issues are profoundly important, and not just because billions of research dollars turn on them.

Weinberg is right to oppose those philosophers whose scientifically illiterate relativism leads them to think that science is merely one among many ideologies, and – according to some – a "sexist, racist and imperialist" one at that. But he misunderstands Positivism, which he defines as the claim that science should avoid talk of unobservable entities and forces. Positivists indeed allow such talk, but treat it as purely instrumental in helping us to construct useful theories. Weinberg believes that one can deduce a theory's truth from its utility, but Positivists deny this; Ptolemy's geocentric astronomy worked for navigation and prediction of eclipses, they point out, but we do not think it true.

Weinberg's controversial claims are stimulating and the whole issue of fundamental physics, now at a crucial point in its history, is immensely important. The question is: should we invest further huge sums in attempts to understand the universe, with so many other demands on our purses? Weinberg has written an important, and an exhilarating, book in urging the affirmative answer.



'Down to Earth',1989 one of Gilbert & George's Cosmological Pictures at the Tate Gallery, Liverpool

Odd couple comes home

Lynn MacRitchie explains what Gilbert & George are all about

THE Cosmological Pictures, a series of 25 works made by Gilbert and George in 1989, are finally installed at the Tate Liverpool after a tour of 10 European countries including Poland and Hungary. They arrived at the Albert Dock just as a show of the artists' newest works, the New Democratic Pictures, was coming to a close at Anthony D'Offay in London.

For their admirers, then, the past few months and those to come provide a welcome chance to catch up with the latest works of these remarkable artists. For their detractors, this feast is an indigestible reminder of just how celebrated they are abroad, while continuing to arouse controversy at home.

The London show was criticised by many and for many reasons – the artists' nudity, a feature of many of the works, was declared to be embarrassing, that of their young male models exploitative, their subject matter at the same time both shocking and stale. Let us examine the case.

Gilbert and George's work deals with themselves. They are both its subject and its content, appearing in almost all of the highly coloured, large scale photopieces which have been their established style for over a decade. In the mid-1970s, when the photopiece form was first being developed, they were their only subjects. They recorded their activities (heavy drinking, mostly) or, alone in their empty house, their feelings and moods. Then, gradually their eyes moved outwards. Street scenes and passers-by began to appear, the locations around their home in Spitalfields. The streets are grimy and litter strewn, the people who walk them poor and seeming sad, the towers of the City rearing over them, close by but detached. The walls speak. Graffiti gives the works their titles: "Are you angry or are you boring" or "Communism", for example, as well as, and tellingly, "Bent, "Queer," or "Prostitute Poof".

For Gilbert and George are homosexual, familiar with that public fear of "otherness" the hostile scribblers express. But they are fearless. In their early days in Spitalfields, living in the basement of the house they now own, they tell of stones flying through the window, of being chased down the street, running for shelter in their "responsibility suits", the fabled matching three button suits they have worn since the days when they first declared their mission in life. Law 2 of "The Laws of the Sculptors", written in 1969, states "Make the world believe in you and pay heavily for this privilege."

This dedication to their art goes along with a declared aim of making it as clear and understandable as possible. Thus they have forged a style like no one else's, a style which blends their own intense preoccupations – themselves, their immediate surroundings, the bodies of beautiful young men – with a few props – jewel-like colour, the use of flowers, trees and statuary – into an emblematic language of rare power. The Cosmological Pictures show the same canny knack of summing up the state of our current everyday world while evoking the artists' place both as part of and commentators on it. "Edger" shows a young man in profile and full face superimposed over a busy city street. While he is perfectly ordinary, tough-looking in his T shirt and jeans, his placing in the composition and its title make us think about him again, about his place in the world, as marginal, as threatened, perhaps, as well as threatening.

Works such as "My World" or "All" showing young men in compositions with flowers, make very clear the nature of the artists' sexual feelings while presenting them in a symbolic and romantic way. "Blood Heads" and "Down to Earth" make clear too some of the dangerous consequences of the fulfilment of desire, while "Big Hole" with its central image of a flowering tree, offers if not hope then perhaps consolation.

None of these is perhaps quite as powerful as a key piece of 1982, "Life Without End", an astonishing presentation of an ideal world of beauty and order which does not exist but for which we all long. That it is evoked via the persons of two men in neat suits and an array of beautiful boys should not necessarily shock. Caravaggio's models were rent boys, after all, and an artist's repetition of a favourite subject is not usually a cause for complaint. No one questions the transcendence of Matisse's endless interiors or Picasso's tortured nudes. Artists, by their obsessive grappling with a chosen subject, make it matter for us, too, make it universal. By showing us their world, their strange self-defined and intense universe, Gilbert and George show us something of ourselves.

In September, their work will be seen in Beijing. What, I asked, did the Chinese make of it? For the Chinese, they told me, their work is about being an individual, discovering what an individual is. This response Gilbert and George find both satisfying and exciting. "To enter that debate is vital while we are still alive." Indeed it is, and for us all.

Gilbert and George: The Cosmological Pictures. Tate Gallery, Liverpool, until March 14

Fiction/Stephen Amidon

Spiritual dislocations

OLD hippies don't die, they just fade into Thomas McGuane novels. His tenth, *Nothing But Blue Skies*, features Frank Copenhaver, a wealthy Montana businessman who has lopped off his pony tail and padlocked the medicine cabinet in order to become seriously rich. His flirtation with manna ends just after his 44th birthday, however, when his wife Gracie leaves him for a New Age anthropologist. Frank becomes comprehensively and hilariously unhinged, squandering his assets, embarking on bizarre erotic dalliances and, ultimately, landing himself in court. It takes his daughter's affair with a right-wing politician to bring Frank back to his senses.

McGuane has never written more precisely or more hilariously about that generation which graduated from listening to Jefferson Airplane to checking up on the Dow Jones average. Frank is a fitting hero for the times, steeped in nostalgia for a better age yet wise enough to realise that the present day is all he has got. Although the book flirts with high-mindedness – such as the message that if you rape the land she will eventually press charges – McGuane keeps things moving along with a series of raucous escapades, most notably when Frank unwittingly rides a prize pig through the State Fair. The result is a funny and apt survival guide for every lapsed hippy who feels bad about selling out but does not quite know what to do about it.

Spiritual dislocation of a very different sort is on offer in *The Man Who Was Late*. Its author, Louis Begley, could justifiably be called the novelist who was late – after a distinguished career as a New York attorney, Begley made his literary debut last year with his award winning *Wartime Lies*, a tale of a young boy's escape from the Holocaust. His second novel covers similar themes. This time, the hero is Ben, the son of Jewish refugees who, fleeing a traumatic if unspecified past in Hitler's Europe, reinvents himself as a suave international financier. The toll this spiritual sleight-of-hand exacts on his heart and soul is great, most tellingly on his relationships with women.

Begley is a novelist of extraordinary sophistication and sensitivity, with ambitions that seem to bypass much recent writing and head straight for Proust territory. His Ben is a scarily precious creature, a man who has enveloped a troubled soul with epicureanism and eroticism, thereby refining himself to the point of non-existence. Indeed, some readers might find themselves a bit worn by Begley's occasionally cloying irony and detail. This said, his novel remains a compelling examination of the dangers of denying a damaged self.

NOTHING BUT BLUE SKIES
by Thomas McGuane
Secker & Warburg £16.99, 349 pages

THE MAN WHO WAS LATE
by Louis Begley
Macmillan £14.99, 201 pages

BASTARD OUT OF CAROLINA
by Dorothy Allison
Flamingo £5.99, 309 pages

THE LONG NIGHT OF THE WHITE CHICKENS
by Francisco Goldman
Faber £14.99, 450 pages

Childhood scars are examined in a more forthright manner in Dorothy Allison's *Bastard Out of Carolina*. The bastard in question is Ruth Anne "Bone" Boatwright, a young member of an extended South Carolina family who could be classified as either salt of the earth or white trash. Despite being raised fatherless in grinding poverty, Bone's 1950s childhood is not without its moments of happiness and security. But then her mother marries the malevolent Daddy Glen, a darkly jealous creature who breaks Bone's bones and molests her, even as his wife is in labour. Bone's lonely battle against this man and the brutal patriarchy he represents are the meat of this powerful first novel

Although Allison covers oft-ploughed territory here, she writes with sufficient passion to make this an engaging read. Her portrait of rural poverty is convincing and not without its humor, embodied particularly in Bone's hard-drinking, hell-raising uncles. But the book's real strength lies in Bone's voice, so believably rendered that the reader is willing to accompany its speaker even through the darkest parts of her journey to womanhood.

Another victimised woman is the focus of Francisco Goldman's first novel, *The Long Night of White Chickens*. It tells the story of Flor de Mayo, a Guatemalan girl who is plucked from an orphanage to serve as a maid for a Boston family. They adopt her as one of their own, especially sickly young Roger, who loves her as a sister and perhaps more. After graduating from an élite American college, she returns to her native country to run an orphanage, only to be murdered in mysterious circumstances. Roger's attempt to find the truth behind her death forms the novel's central narrative.

Goldman writes with authority about modern Guatemalan politics and culture, displaying a keen nose for the dark absurdity of Latin America, where the powers that be refuse to investigate murders yet are all too happy to change without notice the directions of all the country's one-way streets. Unfortunately, Goldman's narrative is too pocked with digressions to pull the reader along, making the novel far more effective as a rumination on failed love than as a murder mystery.

Compulsively nasty dreams

IT IS difficult to say which of these novels – last year's Kennedy saga, *Flying into Love*, or this year's dose of Auschwitz-angst, *Pictures at an Exhibition* – is the more distasteful. Nuns, women in general and President Kennedy get a bad time in the former, while the latter has it in for concentration camp survivors and Thatcher's chattering classes. The trouble is that both books are – up to a point – compulsively readable and no doubt their content will be given serious intellectual consideration in some quarters.

D M Thomas's obsession with sexual perversity and death is supposedly rendered respectable in the case of *Pictures at an Exhibition* by his interest in psycho-analysis and the after-effects of the extermination of 6m Jews in the last World War. In the Kennedy book, Thomas's masturbatory fantasies about nuns and Kennedy are prefaced by the fuzzy assertion that "fiction is a kind of dream and history is a kind of dream and this is both". But few people have such nasty dreams as Thomas.

The same D M Thomas is a poet of some stature (winner of a Cholmondeley Award in 1981; *The Puberty Tree, New and Selected Poems* is published by Bloodaxe Books, £8.95) but you would never guess it from these two offerings. In both, he uses mainly dialogue or some form of confessional narrative – letter, journal or a transcript of an analytical session – and so the language is reduced to the level used by his characters in everyday life. Poets do not necessarily have interesting minds outside their poetry. *The White Hotel* succeeded largely because of the transformational power of the heightened language in which it was written. Take that away and what you have left, as here, oscillates between the banal and the absurd.

Pictures, for example, opens with the first-person accounts of Galewski, a Jewish doctor whose medical qualifications give him privileged status at Birkenau and whose psychoanalytic experience is sought by the German Dr Lorenz. We then shift to a middle-aged woman in 1991 and read verbatim her first session with a young trainee therapist, Chris, who is himself being analysed by an elderly and infirm Dr Jacobson who may or may not be related to one of the doctors in the Birkenau section. Jacobson's other student therapist, Rachel, has an obsession about a massacre of children at Byelaya Tserkov: both she and Chris are obviously totally unsuited to their new profession. Jacobson knows this, so what is he up to?

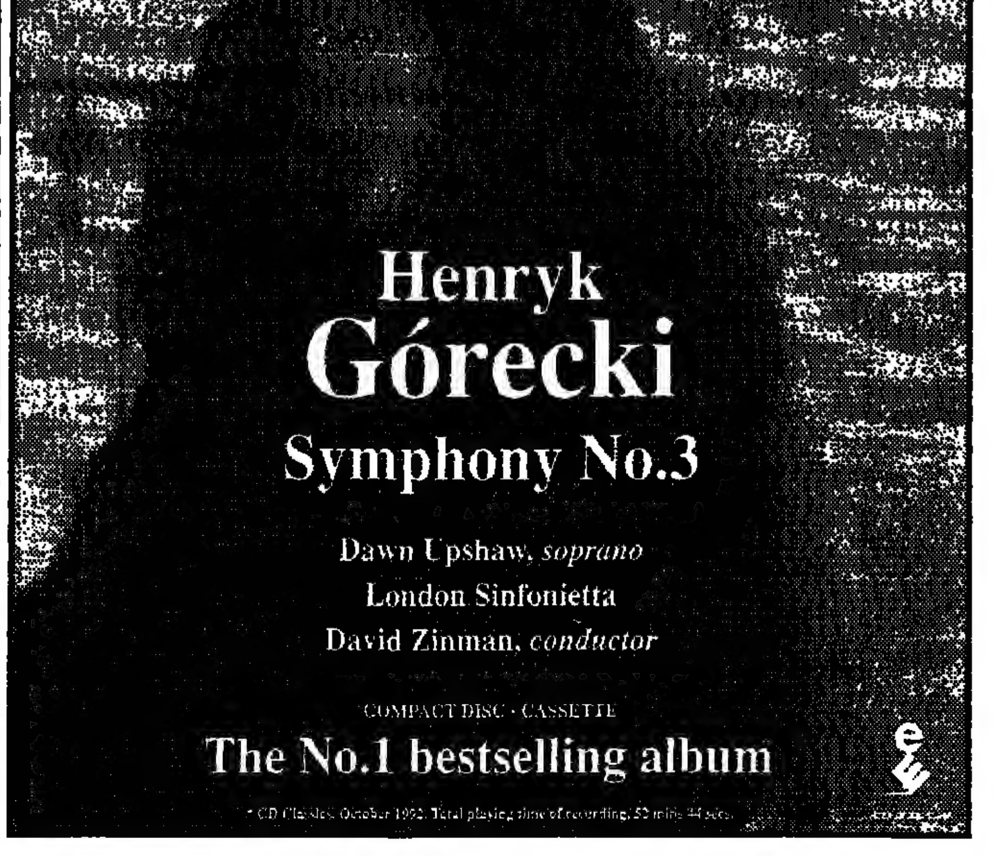
PICTURES AT AN EXHIBITION
by D M Thomas
Bloomsbury £15.99, 278 pages

FLYING INTO LOVE
by D M Thomas
Sceptre £5.99, 261 pages

The story is cleverly convoluted and there are generous helpings of illicit sex between the various protagonists as it unravels. The chapters are named after paintings by Munch, which are given further consideration during an exhibition organised by Jacobson's wife, where Munch himself appears to talk to one of the more deranged characters. The shock ending, which is presumably meant to be enigmatic and thought-provoking, comes across as merely melodramatic and cheap.

Melodramatic and cheap are also the words that spring to mind to describe the Kennedy book. This is idol-bashing taken to psychopathic extremes and is interesting only as an example of the depth to which a once-talented writer can sink when he picks the wrong topic. It's a real stinker.

Alannah Hopkin



ARTS

Off the Wall/Antony Thorncroft

Squaring a circle

TO THE South Bank (again), to hear about the bright new future (again). "The world's largest arts complex" has gone through more retreads than Gary Glitter and, like Gary, still manages to look the same, like a rather down-at-heel dowager. For over a decade there has been talk of blowing up the ugly, dangerous concrete walkways to make the South Bank more appealing. Originally, property developers were to beautify the place in return for retail opportunities. Now chief executive Nicholas Snowman is looking, like everyone else, for Lottery money. He wants £15m for an external facelift.

With this likely to prove a pipe-dream it is hardly worth mentioning his further plans to knock down the Hayward and build a new art gallery on the car park. It is just possible that the Government will make the South Bank a Millennium Fund priority because it hugs such a vital site. But any scheme is likely to be imposed on the current management rather than in response to it.

Perhaps we are returning to the idea of the South Bank as a People's Palace

This week Snowman published the Arts Council's five year appraisal of the South Bank. It is mildly complimentary, and the Council upped its annual grant by 2 per cent to £13m. But the Arts Council, like Snowman, fails to confront the basic issue: does it want the South Bank to put on challenging concerts of contemporary and unfamiliar music and lose money, or does it want large audiences? It wants both, and thinks that by asking the South Bank to market its programme better it can square the circle.

In fact Snowman is now trying to boost audiences, which have fallen to a disastrous 60 per cent at the Festival Hall. He has moved the BBC Symphony to the smaller Elizabeth Hall, and he has tried to identify the Festival Hall as the home of top quality orchestras, like the newly resident LPO and regular guest visitors.

Snowman admits there have been too many under-rehearsed, boring, symphony concerts at the Hall, "events" rather than "experiences". They will still happen, but Snowman is looking for new clients. He has his eyes fixed on pop music.

This is nothing new – I well remember seeing Jimi Hendrix play the guitar with his teeth at the Festival Hall – but in recent years the management has been elitist and out of sympathy with the populist. Three sell-out performances last autumn by Sandra Bernhard helped change its mind. Now up to 15 per cent of the performances will be pop, jazz or folk – if promoters can be sold on the South Bank ambience. To help persuade them Snowman is thinking of allowing drinks to be taken into the plush interiors (ice creams were consumed during the recent English National Ballet season with no great disasters).

It might catch on. London is desperately short of good rock venues (the imminent closure of the Town and Country at Kentish Town has caused much heartache), and by a nice irony the Albert Hall is trying to cut down on its pop concerts in favour of more classical programmes. So here is one of those markets that the Arts Council report was so keen for Snowman to develop. Perhaps we are returning to the old GLC ideal of the South Bank as a "People's Palace".

★

The Royal Academy is going through an expansionist phase. Two good years have given it illusions of grandeur and it has its eyes on the contingent Museum of Mankind, which in the 18th century was the garden of Lord Burlington, whose house is the home of the RA.

The RA wants to convert it into an independent centre for British architecture. And, guess what, it is looking for Lottery money to finance the development. The idea is that the Museum of Mankind can move all its Mayan masks and Melanesian totems back into its former premises, the British Museum, once the British Library has made the space available by transporting its books to the new Euston Road site. This plan is built on so many maybes that it seems pie-in-the-sky, apart from one factor.

Mrs Henry J. Heinz II is believed to have promised the RA a seven figure sum towards an architectural gallery. There are certainly plans for the RA to share shows with the Heinz gallery in Pittsburgh, and its exhibition, *Lord Burlington and Chiswick House*, will make a symbolic trip to the RA in 1995. So it could have the seed corn money; architecture needs a public space. The RA will need to move fast: Dr Khalili has earmarked the Museum of Mankind as the home for his collection of Islamic art, valued at £1b, which he is keen to loan to the UK.

Could this rekindled interest in architecture offer a clue to one of the most intriguing elections of 1993, the new President of the RA? Sir Roger de Grey is approaching 75, and a successor will be voted upon in December. Around a hundred RAs can vote. One of the names in the frame is that of the architect Richard Rodgers. Elisabeth Frink was a popular choice but her health probably rules her out. Among the artists, Tom Phillips, Allen Jones and Norman Ackroyd are likely contenders.

★

One man doing his bit to save Venice is Peter Boizot of the Pizza Express chain. If you order a Veneziana pizza, 25p goes to Venice in Perilcampaign. To date this has raised over £300,000, making Mr Boizot the largest individual patron of the appeal. At a more modest level 10 per cent of the sale of paintings of Venice on display at the W.H. Patterson gallery,Albemarle Street also goes to the Fund. Last year's exhibition raised £4,000.

Thrilled to be black

Nigel Andrews explains why 'film noir' is solid gold

Out next week: Joe Pesci as the 1940s photographer Weegee in a gritty fictionalised portrait 'The Public Eye'

WHAT IS *"film noir"*? Of all the catchphrases in all the languages in all the world, none has walked into more movie lives than this one. It was born in Paris in 1945 and today it is a citizen of the globe. You can scarcely read a review column without bumping into it and movie-makers themselves, wise to its critical popularity, turn out movies as if to solicit the phrase.

In the first two months of this year the dark-toned thrillers are tumbling over themselves: *Night And The City*, *Deep Cover*, *Midnight Sting*, *The Public Eye*. And even paramodern crime movies like *Reservoir Dogs* and *Man Bites Dog* clothe themselves in the laconic moral midnight that was *film noir's* great gift to 20th century sensibility.

The phrase was coined by a group of postwar French critics who saw a rhyme between the sombre movie thrillers of the 1940s/early '50s and the contemporaneous Serie Noir crime novels, in which American hardboiled fiction (in translation) loomed large. As a coinage *film noir* was solid gold and soon became universal tender. Not content with using it to underwrite appraisals of primal *"noirs"* like *Laura*, *Double Indemnity* and *Build My Gallows High* – films awash in *après-guerre* shadows, threateningly emancipated women and maze-like moral ambiguities – critics handed the currency down to succeeding generations.

Today every thriller with a hardboiled hero or fatal woman, plus (if possible) outbreaks of venetian blinds and rain-sleek streets, is showered with the loose change of *noir* criticism. Some movie people, like critic-filmmaker Paul Schrader, rage against the anachronistic word-bandying. "Film Noir came up after the war through a convergence of influences", he told me on the set of *Light Sleeper*, where I had been foolish enough to suggest the picture was a modern F.N. "There were the expatriate Germanic influences in Hollywood, and there was the sense of let-down that many Americans felt after the war when guys came home and couldn't get work and their wives were more independent because they'd had jobs.

"It was a kind of dead-end social-psychological backlash and it crept into cinema after the war. From the mid-1950s it gradually died out with the new affluence and the rise of TV and colour photography. So the phrase refers to a specific historical period. There's no such thing as a modern *film noir*."

Thank you. Lecture appreciated. But so long as they can pass it across the counter, can we doubt that critics will go on using the phrase? Or that filmmakers – who are just critics with cameras – will go on pandering to the popularity of *noir* and neo-*noir* as a style?

Here, for instance, is *The Movie Book Of Film Noir* (Studio Vista £16.99). Edited by veteran buff Ian Cameron, once a founder editor of *Movie* magazine, that 1960s growbag of *noir* consciousness (here a 5000-word essay on Hitchcock, there a tractactus on Tourneur), it is a priceless primer. Priceless in all senses. Its 21 essays are so ornately intense it is hard not to giggle at times. Read the maze of *"Gestalten"* and "suppressive narratives" that Douglas Pye builds around a mediocre Fritz Lang film, *Beyond A Reasonable Doubt*.

But the book is also affirmatively priceless. All the key components of *noir* as a style are here. The Byzantine plotting (*The Maltese Falcon*, *The Big Sleep*); the matching obfuscations of decor and lighting (often by immigrant cameramen or directors trained in German Expressionism); the battered, cynical protagonists (Bogart, Mitchum); and the strong-willed, sexually charged women (Stanwyck in *Double Indemnity*, Hayworth in *Gilda* and *The Lady From Shanghai*) who were re-writing the rule-book of male-female rapport.

The best essay is Jonathan Buchsbaum's "Tame Wolves And Phoney Claims." Buchsbaum takes the word paranoia, the most-used coin of all in the *noir* currency, and polishes it to a psychiatric exactness. Then he shows where the word is apt (and where not) in analysing films like *Double Indemnity* or *Murder My Sweet*. The premise of disturbance or disorientation, the fear of personal or sexual inadequacy, the search for secure data: these components of paranoia clearly lead to the noir iconography of questing (detective) heroes, threatening conspiracies and erotic mystery.

Noir, as the book insists, was a style, never a genre. It was an emotional condiment that could season different dishes. Though its favourites were the mystery thriller and hard-boiled detective story, its nihilist melancholia could also be shaken over the Western (*Duel In The Sun*, *The Naked Spur*), the romantic potboiler (Bogart's no-ideals anti-hero in *Casablanca*) and even the sci-fi film (*Invasion Of The Body Snatchers*).

Today *noir* is back and one disputes Schrader's theory of the inauthenticity of its modern heir. True: *film noir* first emerged in the postwar era when God created perfect conditions for paranoia in a patriarchal society. Men returning from the war a jangle of new anxieties: women busting out from the kitchen or marital bed; and post-'45 austerity painting America in the colours of Poverty Row, black and white with grey an additional option.

But 50 years after *Laura*, the 1993 new year films look just as genuinely *noir* as those circa 1943. *Deep Cover*, a mazy thriller full of jet-dark moralising, and *The Public Eye*, whose gritty fictionalised portrait of the 1940s news photographer Weegee opens in Britain next week, are both in colour; but it is a colour that rejoices in negating itself. And if *Reservoir Dogs* features no fatal women, its picture of male pride being socked in the solar plexus – or socking itself – is as merciless as in *The Big Heat* or *Build My Gallows High*.

Even the titles ask us to pin the label *"noir"* on them, abounding in words of darkness or concealment – night, midnight, deep. And to keep us happy later in the year more 1990s-*noir* titles, plus films, are lining up. Woody Allen's next UK-released offering is a pastiche period thriller in black-and-white called *Shadows And Fog*. And farceur Carl Reiner is busy making *Triple Indemnity*, a spoof on you-know-what.

The 1990s are becoming as *noir* as the 1940s for a simple reason. Carbon-copy social conditions prevail. We have economic austerity.We have women coming on strong after years of limbering up at the Feminist Gym. And we have a world where the west is once more playing anxious policeman as History ignites come-and-get-me conflicts around the world.

For extra measure, it is seven years to the new millennium – and isn't it always darkest before a dawn?

Bronzes bequeathed to BM

One of the bronze Roman masks for putting on wooden statues

THE Icklingham bronzes – Roman treasures now in New York which were stolen from a Suffolk farm in 1981 by a gang using metal detectors ("Long hunt for the raiders of the lost art," *Weekend FT*, November 16 1991) – are coming home.

Not at once, and not to Suffolk. But after legal action in New York by John Browning, the farmer from whose field the bronzes were taken, and out of court negotiations, their present owners, Leon Levy and his wife Shelby White, have offered to bequeath them to the British Museum.

The bronzes once adorned a Roman temple. They include a statuette of Vulcan, horse collar fittings, two helmets, and face masks for putting on wooden statues. The most spectacular piece is a bronze cheetah inlaid with silver spots. The field at Icklingham was robbed frequently when metal detectors became popular in the 1970s. Over the years Browning has had to sit on guard in the hedge at nights and has caught 13 people.

News of the bronzes spread quickly as the robbers tried to sell them. Photographs were circulated which, luckily, were seen by the British Museum. The Suffolk police followed the trail to the Continent and Australia and started extradition moves there, but no prosecutions followed.

The bronzes surfaced in 1988 at New York's Ariadne Galleries, which tried to sell the cheetah for $600,000 to the Getty Museum in Malibu, California. While the Getty was eager to buy, it was cautious about acquiring pieces with a murky provenance and consulted the British Museum. When the BM recognised the animal, the Getty withdrew. Ariadne then sold it to Levy, who had bought the other pieces already.

In the meantime, Browning and his solicitor, David Barns, had begun a campaign to regain the bronzes. Little help came from the British government, which has not ratified the UNESCO convention prohibiting and preventing the illicit import, export and transfer of ownership of cultural pottery (the US has). Despairing of official action, Browning started proceedings as a private individual in New York in 1991.He was convinced there was enough evidence of the New York bronzes coming from Icklingham to secure their repatriation, even if it did not suffice for criminal prosecutions.

Browning's perseverance has won, but he will continue to battle to improve the law's protection for the cultural heritage buried in British soil. And, as he said this week: "A bequest to a third party is not really my idea of what to do when you're caught with your trousers down. But the goods will come back to their country of origin. That is what is important."

The return, however, is likely to take time. As it may be our children or grandchildren who will be the first to see the bronzes installed in the BM, there is an urgent need for a scholarly study of them now.

Gerald Cadogan

Radio/B.A. Young

Virgins in the night

HERE IS the content of late-evening programme on Radio 4, after *A Book at Bedtime*. First, a song from Harry Lauder, then a switch to the origins of Thomas Cook and Son's tourist schemes, that began in 1841 as a temperance activity. Drink soon featured unofficially,and sex too – what did one go to Paris for? There was a number about Cook's in Lionel Monckton's musical, *The Runaway Girl*. But this leads us to Edison's invention of sound-recording in 1877, and we are back for a moment with Harry Lauder, before moving on to Caruso, John McCormack and James Joyce with whom he once recorded a duet.

This is *Hindsight*, presented on six Friday mornings by Dr Christopher Andrew and repeated more aptly at bedtime on Wednesdays. I saw no philosophical conclusion to these recollections, except the reminders of more recent things. They are leaves in a loose-leaf album, and a pleasant way to woo sleep.

The current *Book at Bedtime*, is a semi-dramatic reading of a ten-part adaptation of Sarah Cauldwell's *Thus Was Adonis Murdered*, with five parts left.Kathryn Hunt reads the letters Julia is sending from Venice, where she is on an arts tour. They tell of her weakness for handsome Ned, but the press tells of Ned's death from stabbing. Neville Barber presents the story from the different viewpoints.

Madame Bovary, Radio 4's Classic Serial, now at 2.30 on Sunday afternoon, is a different brand of serial story, ably directed by Kay Patrick, who emphasised the primary colours of the familiar story. Emma's home life does not sound as boring as Nicola Pagett makes it seem with her contrasting ambition; her trouble is ideas above her station. Robin Polley's Rouault is decent enough, but you can understand it when Emma asks "Is that all there is?" Paul Downing's young Leon Dupuis will do for home-style romance. As for Stephen Moore's Bovary, he is a friendly, even ambitious, doctor, tedious as he may appear at the ball. He is to start a new practice tomorrow. Then what?

Mr Wroe's Virgins, Radio 3's Sunday play, is adapted from Jane Rogers's novel by Mike Harris. Prophet Wroe is a small crazed hunchback, but a powerful preacher, leader of the Christian Israelites. He persuades the people of Ashton-under-Lyne that the world is to end in 1830 and the New Jerusalem will be built at Ashton. The Lord, he says, insists that he must have seven virgins to help him, and sure enough seven virgins are provided,some more virginal than others.

Wroe is played by Alun Armstrong; he has a great speech at Huddersfield, about the world's end, that almost won over faithless virgin Hannah (Barbara Marten). Joanna (Melanie Thaw) is the most faithful virgin, tireless in good work.–Leah (Victoria Finney) is hardly virgin at all, having a 4-month bastard "orphan".and Martha (Jane Hazlegrove) is educationally subnormal, though not so much so that she cannot tell when Wroe abuses her in a ditch. She finishes up living on the moors.

Wroe is also seen naked with Hannah, a sensible woman more interested in workers' lives than Wroe's mission. The other three virgins are less interesting, but the operative four are beautifully contrasted. Michael Fox directed, and there was missionary music by Paddy Cunneen. There will be a four-part television version of the story next month on BBC2.

Chess No 959: 1 d5! exd5 (Bxd5 2 Qc8 mate) 2 e6! fxe6 3 Qf4 wins.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Henry's Cat. 7.35 Wiz Bang. 7.50 Litt' Bits. 8.10 Eggs 'n' Baker. 8.35 Tom and Jerry: Greatest Hits. 9.00 Going Live.

12.12 News.
12.15 Grandstand. Introduced by Steve Rider. Including 12.20 Football: Bob Wilson looks forward to the day's FA Premier League games. 12.55 News. 1.00 Racing from Cheltenham: At 1.05 The Food Brokers Finesse Hurdle Race. 1.15 Boxing: Johnny Armour v Ricky Romero. 1.35 Racing: At 1.40 The Timeform Hall of Fame Chase. 1.50 Ice Hockey: England v Scotland from Sheffield. 2.10 Racing: At 2.15 The Wyko Power Transmission Hurdle Race. 2.25 Ice Hockey. 2.55 Rugby League: Warrington v Castleford. Action from the first round of the Challenge Cup. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.
5.15 News and Weather.
5.25 Regional News and Sport.
5.30 That's Showbusiness.
6.05 Noel's House Party.
7.00 The Paul Daniels Magic Show.
7.50 Casualty. A ram raid has a devastating effect on a young family. Patrick Robinson and Derek Thompson star in the 100th episode of the hospital drama.
8.40 Birds of a Feather. Tracey gets a shock when her cashcard is kept by the bank's machine, while she is out shopping with Dorien. And, Sharon gets the sack from her supermarket job when she has a slight altercation with a customer, over an unsliced salami and a can of beans.
9.10 News and Sport; Weather.
9.30 That's Life!
10.10 Match of the Day. Highlights from two of the day's top FA Premier League matches, and all the goals from the rest of this afternoon's matches.
11.15 Bloodlines: Making Coppola's Dracula. A behind-the-scenes look at the filming of Francis Ford Coppola's Dracula, which shows its stars, including Sir Anthony Hopkins and Gary Oldman, rehearsing with the director.
11.45 Film: Taste the Blood of Dracula. An aristocratic disciple of Dracula involves three Victorian businessmen in the resurrection of the blood-sucking Transylvanian count. Starring Christopher Lee and Ralph Bates (1970).
1.20 Weather.
1.25 Close.

BBC2

8.35 Film: The Big Country. 11.15 The Strange Affair Of. 11.45 Donovan the Diviner. 12.15 pm Film: Border Incident.

1.45 Tanhaiyan.
2.25 Ava Gardner. Profiling actress Ava Gardner, who in a career spanning 44 years was one of Hollywood's hottest properties. The daughter of a sharecropper, she had a reputation as a good-time girl unlucky in marriage. Yet despite personal setbacks, her career flourished.
3.15 Film: Pandora and the Flying Dutchman. Romance about a beautiful socialite who coldly rejects the love that is lavished on her – until she is visited by a mysterious stranger. Starring Ava Gardner and James Mason (1951).
5.15 Late Again. Highlights from last week's editions of The Late Show.
5.55 Scrutiny.
6.25 Kings of the Castle. Presenting the 1993 World Chess Championship candidates final, in which Britain's Nigel Short takes on Dutch grandmaster Jan Timman for the right to challenge World Champion Garry Kasparov.
6.55 News and Sport; Weather.
7.10 Sounds of the Seventies.
7.45 Fine Cut. Melissa Llewelyn-Davies, who filmed in the same Maasai village in Kenya for 20 years, returns to provide a unique portrait of a society under change. Her candid commentary offers startling facts about the life she now sees.
9.20 Moving Pictures. Reviewing new release The Public Eye, starring Joe Pesci, which is based on the life of American crime photographer, Wegee. French director Louis Malle discusses his new movie, Damage, and talks about the cinematic butchering that happens when films enter the cutting room.
10.10 Film: Milou en May. A family try to organise a funeral for their mother amid the French riots and demonstrations of 1968. Louis Malle's black comedy, starring Michel Piccoli (1989).(English subtitles).
11.55 Film: The Set Up. Robert Ryan stars in this drama about an ageing boxer who refuses to throw in the towel. With Audrey Totter and George Tobias (1949).
1.10 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Hard Time on Planet Earth.
2.05 WCW Worldwide Wrestling.
2.40 International Indoor Athletics. Great Britain v Russia. Jim Rosenthal presents coverage from Glasgow's Kelvin Hall as a world class field gathers for this annual event. Scotland's Tom McKean and Yvonne Murray compete in a line-up which also features invited American athletes.
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.10 Baywatch.
6.00 Blind Date.
7.00 Barrymore.
7.45 Inspector Morse: Dead on Time. The past returns to haunt Chief Insp Morse when he investigates the apparent suicide of a terminally ill Oxford don. John Thaw stars as the opera-loving detective, with Kevin Whately as his trusty sidekick Sgt Lewis.
9.45 The Big Fight – Live. Herbie Hide v Juan Antonio Diaz; Lloyd Honeyghan v Mickey Hughes. Herbie Hide challenges the Latin American champion from Argentina, Juan Antonio Diaz, for the WBA Continental Heavyweight Championship. Former World Welterweight Champion Lloyd Honeyghan continues his comeback by fighting Londoner Mickey Hughes for the Commonwealth Light-middleweight title. Commentary by Reg Gutteridge and Jim Watt.
10.35 ITN News; Weather.
10.50 London Tonight; Weather.
10.55 Film: Whoops Apocalypse. Satirical spoof in which the first female president of the USA (Loretta Swit) attempts to avert a nuclear disaster. The cast also includes Rik Mayall, Alexei Sayle, Peter Cook and Richard Wilson (1987).
12.35 The Big E.
1.35 Get Stuffed; ITN News Headlines.
1.40 NBA Jam Session; ITN News Headlines.
2.40 New Music.
3.40 Rocksport.
4.00 Coach.
4.30 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 American Football: Play Action. 12.30 pm India at the Crossroads. Pranoy Roy, Indian television's top political journalist, presents this special edition about the upsurge of communal violence in India's cities. Representatives from the BJP, Congress Party, Janata Dal and the Communist Party of India answer questions from a studio audience.

1.30 Racing from Doncaster. Including the 1.35 Saint System Misograph Hurdle, 2.10 Mitsubishi Shogun Trophy Handicap Chase, 2.40 Great Yorkshire Chase Handicap, and the 3.10 River Don Novices' Hurdle.
3.30 Film: Dreamboat. Comedy in which a former silent movie star (Clifton Webb) is embarrassed when his ex-partner (Ginger Rogers) allows their old films to be shown on TV (1952).
5.05 Brookside.
6.30 Right to Reply. Reactions to the Dennis Nilsen interview included in Viewpoint '93 programme on serial killers. Plus, Martin Summers calls for the current restrictions on the sponsorship of programmes to be relaxed; News.
7.00 A Week in Politics. What advice will Chancellor Norman Lamont's "seven wise men" be likely to give him about the Budget? Plus, the Trade and Industry Select Committee's report on the future of the coal industry and the Commons debate on the Health Service.
8.00 Adventures: Dead Men's Tales. Documentary chronicling the stories of various parachutists who have survived despite their chutes failing to open.
9.00 Stephen King's Golden Years.
10.00 Saturday Zoo. Introduced by Jonathan Ross with model Naomi Campbell.
11.00 Ready Steady Go! Cult 1960s pop music show.
11.35 Adult Oprah. Basketball ace Magic Johnson talks candidly about his former promiscuity which led to him becoming HIV positive.
12.30 Film: Goodbye New York. A sophisticated New York woman boards a plane to Paris after finding her husband in bed with another woman. But she oversleeps on the flight, and ends up in Tel Aviv – with no money or luggage (1985).
2.15 The Word.
3.15 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
1.05 Anglia News. 1.10 Cartoon Time. 1.20 WCW Worldwide Wrestling. 2.10 Big Foot in Action. 5.00 Anglia News and Sport

BORDER:
1.05 Border News. 1.10 Ali Baba and the Seven Saracens. (1965) 5.00 Border News and Weather

CENTRAL:
1.05 Central News 1.10 WCW Worldwide Wrestling. 1.55 The A-Team. 5.00 Central News 5.05 The Central Match - Goals Extra. 10.50 Local Weather.

CHANNEL:
1.05 Channel Diary. 1.10 WCW Worldwide Wrestling. 1.55 The Munsters Today. 2.25 Cartoon. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.

GRAMPIAN:
11.30 Bill's Magic Box. 1.05 Grampian Headlines 1.10 The Munsters Today. 1.40 Speaking Our Language. 2.05 Tomas Toiteach 'S A Charaidean. 2.10 Movies, Movies, Movies. 5.00 Grampian Headlines 5.05 Cuirm Cloinne. 10.50 Grampian Weather.

GRANADA:
1.05 Granada News 1.10 Wilde's Domain. (TVM 1983) 5.00 Granada News. 5.05 Porky Pig.

HTV:
1.05 HTV News. 1.10 McCloud: The Concrete Corral. 2.10 Get Wet. 5.00 HTV News and Sports Results 10.50 HTV Weather.

HTV Wales as HTV except:
No variations.

MERIDIAN:
1.05 Meridian News. 1.10 WCW Worldwide Wrestling. 1.55 The Munsters Today. 2.25 Cartoon. 5.00 Meridian News. 5.05 Saturday Sport.

SCOTTISH:
1.05 Scotland Today. 1.10 Laverne and Shirley. 1.40 Speaking Our Language. 2.10 Celebrity Squares. 5.00 Scotsport Results. 5.15 Cartoon Time. 5.30 The Box. 5.45 Scotland Today 10.50 Scottish Weather.

TYNE TEES:
1.05 Tyne Tees News. 1.10 Mr Magoo. 1.15 Wilde's Domain. (1983) 5.00 Tyne Tees Saturday.

ULSTER:
11.30 You're On. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Trans World Sport. 2.15 Movies, Movies, Movies. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 10.50 UTV Live Evening News

WESTCOUNTRY:
11.30 Anybody Out There? 1.05 Westcountry Weekend Latest. 1.10 The A-Team. 2.10 Movies, Movies, Movies. 5.00 Westcountry Weekend Latest.

YORKSHIRE:
1.05 Calendar News. 1.10 Mr Magoo. 1.15 Wilde's Domain. (1983) 5.00 Calendar News.

S4C Wales as Channel 4 except:-

7.00 Early Morning. 12.30 The Wonder Years. 3.30 Coney Island. (1943) 6.30 Magic Roundabout. 6.35 Now You're Talking.
7.00 Newyddion Nos Sadwrn. 7.20 Shotolau. 7.50 Halen Yn y Gwaed. 8.50 Tocyn Tymor.

SUNDAY

BBC1

7.25 High Chaparral. 8.15 Breakfast with Frost. 9.15 The Good Book Guide. 9.30 This is the Day. 10.00 See Hear! 10.30 Japanese Language and People. 11.00 Careering Ahead. 11.30 Off the Back of a Lorry.

12.00 Advice Shop.
12.30 CountryFile. John Craven reports on new evidence which suggests children living in the countryside are more at risk from leukaemia than those in towns and cities.
12.55 Weather for the Week Ahead; News.
1.00 On the Record.
2.00 EastEnders.
3.00 Film: Columbo: Identity Crisis. The shabby detective (Peter Falk) investigates a complex murder case, cunningly disguised as an everyday mugging. Also starring Patrick McGoohan and Leslie Nielsen.
4.35 The Clothes Show Special. Jeff Banks travels to Peru in search of ponchos, bowler hats and the male knitters of Tequile.
5.25 Antiques Roadshow. The experts visit Spalding in Lincolnshire where items valued include a medieval sword, an Edward Lear watercolour and a rare 'quint' – a cycle made for five.
6.10 News; Weather.
6.25 Songs of Praise. The Rev Lord Soper, preacher, politician and peace campaigner, celebrates his 90th birthday with the congregation of the West London Mission.
7.00 As Time Goes By.
7.30 Lovejoy.
8.25 So Haunt Me.
8.55 One Foot in the Grave.
9.25 News; Weather.
9.40 Mastermind.
10.10 Heart of the Matter. Investigating the revival of neo-Nazism in Germany. Do painful memories of the Holocaust, in which six million Jews were murdered, make it difficult for German people to feel proud of its national identity?
10.45 What Shall We Tell the Children? Talking to children about emotional and sexual relationships.
11.05 Famously Fluent. Kate Adie OBE demonstrates her knowledge of the Swedish language.
11.10 Doogie Howser, MD.
11.35 The Sky at Night. Patrick Moore visits New Mexico, home of the VLA (Very Large Array), the world's largest radio observatory.
11.55 Tanhaiyan.
12.35 Weather.
12.40 Close.

BBC2

7.30 Tales of a Wise King and the Devil. 7.35 Felix the Cat. 7.50 Playdays. 8.10 Smoggies. 8.35 Opposites Attract. 8.50 Christopher Crocodile. 8.55 Superbods. 9.15 The Animals of Farthing Wood. 9.40 Time Busters. 10.05 Teenage Mutant Hero Turtles. 10.30 Maid Marian and Her Merry Men. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Thunderbirds. 12.50 pm The Invaders.

1.40 Tex Avery Triple Bill.
2.00 Around Westminster.
2.30 Millenium: Tribal Wisdom and the Modern World. The approach of the Indonesian Weyewa and the Kenyan Gabra tribes to wealth.
3.25 Made by Man. The production and repair of stained glass.
3.40 Nathan of Millstein. Profile of violinist Nathan Millstein, whose concert career spanned 73 years.
4.35 Ski Sunday.
5.10 Rugby Special. Neath v Swansea (highlights).
6.10 The Natural World. Following young zoologist Mark Linfield as he embarks on a two-week journey up the Congo River to the Ndoki Forest, home of the rarely-filmed lowland gorillas.
7.00 The Money Programme. Could Britain have a profitable private coal industry?
7.40 The Adventurers. Documentary. The Grosvenor Venture Managers hire young executives Lance Phillips and Trevor Bayley to help secure two major deals involving an expanding video production house and a simple management buy-out.
8.20 Dancing. Exploring the relationship between dance and royal power.
9.20 Did You See? Tim Rice and guests Lord Healey, writer Angela Huth and Cosmo Landesman, contributing editor to "The Modern Review" discuss BBC2's "Europe on the Brink", BBC1's "Clive James – Fame in the 20th Century" and ITV's "Head Over Heels".
10.00 Screen Two: The Long Roads. Tale of a love rekindled between a cantankerous old highlander and his wife.
11.30 Film: Dear America: Letters Home from Vietnam. Vietnam War documentary in which readings from the GIs' letters are accompanied by news footage and music from the period to create a dramatic and compassionate portrait of the conflict (1987).
12.55 Later with Jools Holland.
1.45 Close.

LWT

6.00 GMTV. 9.25 Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 Package Pilgrims. 12.30 pm Crosstalk including guest Brian Hitchen, editor of the Daily Star; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Shadow Defence Secretary David Clark offers his views on whether Britain should bow to growing pressure to become involved in the war in the former Yugoslavia.
2.00 Bright Lights, Big City. Gavin Weightman investigates the dramatic changes in West End theatre since the 19th Century. Once an excuse for a rowdy night out, it has evolved into an exclusive and expensive pastime.
2.30 The London Match. Newcastle Utd v Derby County. Kevin Keegan's high-flying Newcastle, who already look certain to be playing in the FA Premier League next season, take on the East Midlands side fighting to climb back into the promotion race.
5.00 Wish You Were Here? Guest Eric Richard (Sgt Cryer in The Bill) rides a Harley Davidson from LA to Las Vegas. Nick Owen takes a cabin cruiser down the River Shannon in Ireland, and Judith Chalmers goes for a weekend break in Leicester.
5.30 Bullseye.
6.00 London Tonight; Weather.
6.15 ITN News; Weather.
6.25 Film: Splash. Tom Hanks stars as a New York wholesaler who doesn't have much luck with the opposite sex – until he goes on holiday and falls in love with a mermaid. Romantic comedy co-starring Daryl Hannah as the fishy love interest and John Candy of Uncle Buck fame (1984).
8.25 You've Been Framed!
8.55 ITN News; Weather.
9.15 London Tonight; Weather.
9.20 Agatha Christie's Poirot.
10.20 Hale and Pace.
10.50 The South Bank Show. Profiling Montserrat Caballé, one of the greatest sopranos of this century. With contributions by Placido Domingo, Joan Sutherland, José Carreras and Cheryl Studer.
11.50 The James Whale Question.
12.20 Cue the Music.
1.20 Get Stuffed; ITN News Headlines.
1.25 TXT.
2.25 Summerrock.
3.25 Get Stuffed; ITN News Headlines.
3.30 Snooker.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 The Miraculous Mellops. 10.45 Land of the Giants. 11.45 Little House on the Prairie. 12.35 pm Battle. 12.45 Football Rules. 12.55 Gazza's Soccer School.

1.15 Football Italia. Today's live match is Sampdoria v Lazio.
3.30 Film: Intruder in the Dust. A young boy and an old spinster gather evidence in an attempt to save a black man from being hanged on a murder charge. Racism drama, starring David Brian (1949).
5.10 News.
5.15 High Interest: Following the Money. An exclusive inside look at the hunt by top accountants Arthur Andersen for the missing Maxwell millions, while financial detectives Cork Gully unlock the Swiss key leading to the last of the undiscovered De Lorean money.
6.00 Moviewatch. Reviewing comedy sequel Honey, I Blew Up The Kid, and Public Eye, starring Joe Pesci as an infamous crime photographer.
6.30 The Wonder Years.
7.00 Fragile Earth: Living with the Spill. Investigating the consequences of the Shetland oil spill. As the islanders start to cope with the environmental disaster, can they learn important lessons from the citizens of Prince William Sound, Alaska, where the Exxon Valdez spilled 50 million gallons of crude oil into the sea in 1989?
8.00 Bernard Hermann: Music for the Movies. Examining the work of composer Bernard Hermann, who created music for more than 50 films.
9.00 Film: The Gunfighter. An ageing gunslinger (Gregory Peck) is goaded out of retirement by a gang of would-be heroes. Also starring Millard Mitchell and Karl Malden (1950).
10.55 American Football: Superbowl Live. The Buffalo Bills take on the Dallas Cowboys at the Pasadena Rose Bowl. Superstar Michael Jackson provides live half-time entertainment.
3.00 Close

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Food Guide. 12.55 Anglia News. 2.00 Highway to Heaven. 2.55 The Theft of the Mona Lisa. (1966) 4.55 The Village Show. 5.55 Anglia News on Sunday

BORDER:
12.30 Gardeners Diary. 12.55 Border News. 2.00 Wish You Were Here? 2.30 Soccer Sixes. 3.30 Highway to Heaven. 4.30 Bullseye. 5.00 Scotsport. 5.55 The Border Week. 6.10 Border News.

CENTRAL:
12.30 Gardening Time. 12.55 Central News 2.00 Earthfile. 2.15 Coach. 2.45 The Central Match – Live. 5.05 Bullseye. 5.35 Highway to Heaven. 6.10 Central News

CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Telejornal. 2.00 Highway to Heaven. 3.00 The Assassination Bureau. (1968) 5.10 Bullseye. 5.40 I Can Do That. 6.10 Channel News.

GRAMPIAN:
10.45 Cartoon Time. 11.00 The Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Great Planes. 3.00 Soccer Sixes. 4.00 Wish You Were Here? 4.30 Bullseye. 5.00 Scotsport. 5.55 Grampian Headlines 6.00 Eikon. 6.10 Appeal.

GRANADA:
12.25 What the MPs Say. 12.55 Granada News 2.00 The A-Team. 2.50 Lost in London. (TVM 1986) 4.40 Bullseye. 5.10 Coronation Street. 6.10 Granada News

HTV:
12.25 HTV News. 12.30 HTV Newsweek. 2.00 WCW Worldwide Wrestling. 2.45 Tender is the Night. (1961) 5.40 Bullseye. 6.10 HTV News. 6.15 HTV Weather.

MERIDIAN:
12.30 Meridian This Week. 12.50 Meridian News. 2.00 Highway to Heaven. 3.00 The Assassination Bureau. (1968) 5.10 Bullseye. 5.45 I Can Do That. 6.10 Meridian News.

SCOTTISH:
10.45 Wemyss Bay 902101. 11.30 Link. 11.45 Sunday Service. 12.30 Package Pilgrims. 12.55 Scotland Today 2.00 Scottish Questions. 2.30 Soccer Sixes. 3.30 Elvis: Good Rockin Tonight. 4.00 Baywatch. 5.00 Scotsport. 5.55 Scotland Today 6.00 Eikon. 6.10 Appeal.

TYNE TEES:
12.25 The Littlest Hobo. 12.50 Tyne Tees News. 2.00 Lefty. 2.55 The Tyne Tees Match. 5.20 Bullseye. 5.50 The Power Game. 6.10 Tyne Tees News. 6.15 Local Weather.

ULSTER:
12.25 Gardening Time. 12.55 UTV Live Lunchtime News 2.00 Police Six. 2.05 Bon Voyage. 2.35 The Pied Piper. (1972) 4.10 Glenroe. 4.40 Bullseye. 5.10 Coronation Street. 6.05 Witness. 6.10 UTV Live Early Evening News 6.15 UTV Live News

WESTCOUNTRY:
12.30 Westwise. 12.55 Westcountry Weekend Latest. 2.00 Westcountry Update. 2.30 An Invitation to Remember. 3.00 A Time to Triumph. (TVM 1986) 4.45 Bullseye. 5.15 Heart of the Country. 5.45 Members Only. 6.10 Westcountry Weekend Latest.

YORKSHIRE:
12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Lefty. 2.55 Thunder Bay. (1953) 4.50 Dinosaurs. 5.20 Bullseye. 5.50 Calendar News.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Brian Hayes on Saturday. 1.30 The Radio 2 Lecture. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 The Nashville Dream. 5.00 Cinema 2. 5.30 Nick Barraclough's New Country. 6.00 The World Dances. 7.00 The Bolshoi In London. 9.30 David Jacobs. 10.00 Radio 2 Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Hagen Quartet.
2.15 Schumann.
3.00 The Koussevitzky Legacy.
4.45 Jazz Record Requests.
5.30 Live from the Met: Un Ballo in Maschera.
9.00 Third Opinion.
9.45 Lale Moustafazade.
10.10 Simpson and Stevens.
11.00 Outside In Festival.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 Just a Minute!
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse.
4.00 New Europeans.
4.30 Science Now.
5.00 Am I Doing All Right?
5.25 The Art of Travel.
6.00 News and Sports Round-Up.
6.25 Week Ending.
6.50 Postcard from Gotham.
7.20 Kaleidoscope.
7.50 Saturday Night Theatre.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 The Year in Question.
10.45 Idle Thoughts.
11.00 Richard Baker Compares Notes.
11.30 Lionel Nimrod's Inexplicable World.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service.
6.30 Test Match Special. India v England. Commentary by Jonathan Agnew, Christopher Martin-Jenkins and Peter Baxter.
8.30 Weekend Edition Update.
8.50 Test Match Special. Commentary continued.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.05 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 On the Level.
12.00 Close.
3.40 Cricket.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now and Then; Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; News About Britain; BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News Summary; Sportsworld. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Personal View; Words of Faith. 8.30 Europe This Weekend. 8.55 European Sports News. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary; Play of the Week: The Broken Butterfly. 2.00 Newsdesk; Task Force Orient. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic CD Chart Rundown.
12.00 Petroc Trelawny.
3.00 Adrian Love.
6.00 Classic America.
7.00 Opera.
10.00 Classic Quiz.
12.00 Andre Leon.
2.00 Classic CD Chart Rundown.
4.00 Classic America.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 10.30 Brian Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Sidney Torch. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Nick Barraclough's New Country. 12.35 Charles Nove. 3.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Sunday Morning Concert.
9.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age.
1.00 News.
1.05 Selected Poets.
1.20 From the Proms 1992.
3.05 A Play of Passion.
4.15 Mozart.
4.45 Shura Cherkassky.
6.30 Lutoslawski.
7.30 Sunday Play.
8.45 London Symphony Orchestra.
10.50 The Cuckoo and the Nightingale.
11.15 Music in our Time.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.00 News.
8.10 Sunday Papers.
8.50 Marti Caine speaks on behalf of an organisation which supports people with Lymphoma.
9.00 News.
9.10 Sunday papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial.
3.30 Immortal Diamonds.
4.00 Analysis.
4.47 More Wrestling than Dancing.
5.00 John Cole in the Lakes.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Loss of Innocence.
6.30 Word of Mouth.
7.00 Nearest and Dearest.
7.30 Bookshelf.
8.00 A Taste of Serbo-Croat.
8.30 Living Dangerously.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 The Memoirs of Sherlock Holmes.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service.
6.30 Test Match Special.
8.30 Weekend Edition Update.
8.50 Test Match Special.
11.00 The Dream Friend.
11.30 Fantasy Football League.
12.30 Simon Fanshawe's Sunday Brunch.
1.40 Open Forum.
2.00 Body Talk.
2.30 Where Were You in 1969?
3.00 Sunday Sport.
6.00 A Century Remembered. Robert Kee looks back at the decade 1920-1930.
6.30 Education Matters.
7.15 How We Worked Then.
7.30 Italianissimo Extra.
8.00 Language Live.
9.30 Box 13.
10.10 Across the Line.
12.00 Close.
3.40 Cricket.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; Business Review. 9.15 Short Story: The Late Spring. 9.30 Folk Routes. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk; BBC English. 11.45 News and British Press Review in German. 12.00 News Summary. 12.01 Play of the Week: The Broken Butterfly. 1.00 Newshour. 2.00 News Summary. 2.01 This is Your Sport. 2.30 Anything Goes. 3.00 News. 3.15 International Recital. 4.00 News; News About Britain. 4.15 BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Club 648. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Folk Routes; Words of Faith. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Business Review; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; What's News? 1.15 East Meets West. 1.45 Musical Mavericks. 2.00 Newsdesk. 2.30 Composer Of The Month: Gabriel Fauré.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic Romance.
12.00 CD Dedications.
2.00 Celebrity Choice.
3.00 Robert Booth.
7.00 Authentic Performances.
8.00 Classic FM Concert.
10.00 Contemporary Classics.
12.00 Andre Leon.
2.00 Classic Romance.

CHESS

NIGEL SHORT is on the brink of victory in the world championship final at El Escorial, Spain. He leads Jan Timman 7-5 and needs only one draw from the remaining two games to qualify as challenger to Gary Kasparov's world crown.

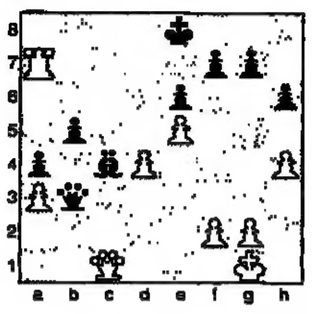
Short dominated the second half of the series in spite of a hiccup in game 11 where he lost a probably drawn rook ending. He imaginatively saw through the complexities of games nine and 12. His controlled strategy made game ten the best of the match. Short won the psychological duel by switching to the attack just when Timman seemed to have taken the match initiative.

Barcelona, Berlin and Jakarta may bid to host the Kasparov v Short series, with a prize fund of £2.5m (N Short, White; J Timman, Black; Ruy Lopez; 10th game 1993).

1 e4 e5 2 Nf3 Nc6 3 Bb5 a6 4 Ba4 Nf6 5 0-0 Be7 6 Re1 b5 7 Bb3 d6 8 c3 0-0 9 h3 Bb7 10 d4 Re8 11 Nbd2 Bf8 12 d5 Nb8 13 Nf1 Nbd7 14 Ng3 Nc5 15 Bc2 a5 It is hard to pinpoint Black's mistake, but his Q-side advance is too ambitious.

16 Nh2 g6 17 Qf3 h5 18 Be3 Nfd7 19 Rad1 Qe7 20 Ngf1 Bg7 21 Bc1 c6 22 b4 axb4 23 cxb4 Na4 24 dxc6 Bxc6 25 Bb3! Visualising the weakness of f7. Rad8 26 Qg3 Nf8 27 Nf3 Ne6 28 Ng5! Normally it is wrong to exchange when attacking, but here Black loses two key defenders. Nxg5 29 Bxg5 Bf6 30 Bxf6 Qxf6 31 Rd3! h4 32 Rf3 hxg3 33 Rxf6 gxf2+ 34 Kxf2 White wins the f7 or g6 pawn, and Black's game collapses. Re7 35 Rxg6+ Kh7 36 Rg3 d5 37 exd5 Bxd5 38 Rd3 Nb6 39 Ne3 Red7 40 Nxd5 Resigns.

No 959



E Lobron v C Hansen, Wijk aan Zee 1993. How should white continue?

Solution Page XVIII

Leonard Barden

BRIDGE

MY HAND today, which comes from rubber bridge, illustrates clearly the difference between average and expert play. Let us see what we can learn from Looking After Junior:

	N	
	♠ 10 4 3 2	
	♥ 7 6	
	♦ K Q J 10 7 2	
	♣ 6	
W		E
♠ Q		♠ K J 5
♥ Q 9 4 3		♥ J 5
♦ A 9 6 5		♦ 8 4 3
♣ K 10 9 8		♣ A 7 5 4 3
	S	
	♠ A 9 8 7 6	
	♥ A K 10 8 2	
	♦	
	♣ Q J 2	

With East-West vulnerable, South was the dealer and opened the bidding with one spade. North raised to two spades, South rebid three hearts, and North's jump to four spades ended the auction.

West opened with the 10 of clubs, taken by his partner's ace, and East led back the five of spades. Winning with his ace, the declarer cashed ace and king of hearts and continued with the two. This was ruffed on the table and over-ruffed by the knave. East cashed his spade king and the declarer could not avoid defeat. He had lost two spades and a club and still had to concede one heart or one club.

Let us watch an expert at play. After he wins trick two with the spade ace, he plays his club queen. If West plays a low card, he discards a heart from dummy, but West covers and dummy ruffs.

Declarer crosses to his heart ace, throws dummy's last heart on the club knave, and ruffs a heart on the table. Coming to hand with a diamond ruff, he ruffs another heart on the table. East over-ruffs, but the contract is safe and is fulfilled with the loss of just two spades and one club. The expert player is a good shepherd. He takes good care of his sheep – his side suits.

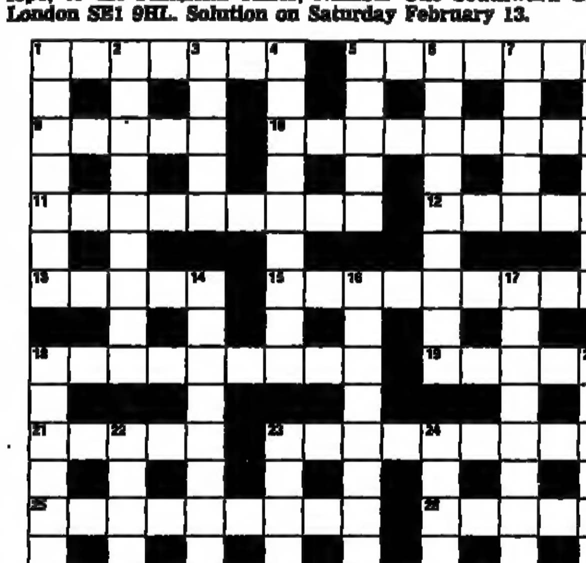
The excellent Pro Bridge 500 computer can now become Pro Bridge 510 with the aid of an upgrade chip. Just apply to The Specialists, P.O. Box 759, Wimborne, Dorset BH21 5YH.

E.P.C. Cotter

CROSSWORD

No. 8,064 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 10, marked Crossword 8,064 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 13.



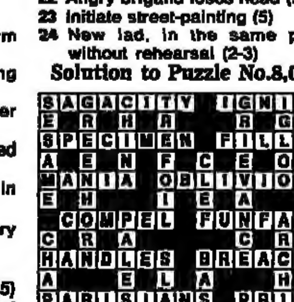
Name..

Address..

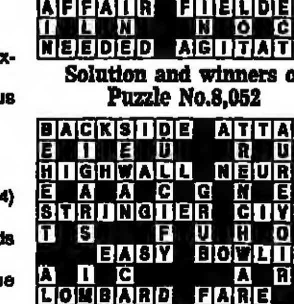
ACROSS
1 Shield that bends under pressure? (7)
5 Sacks cashier, taking only a shilling (7)
9 Nobleman a year too soon (5)
10 Second mowing at the farm ordered (9)
11 Tires, perhaps, in exploding mass of star-clusters (9)
12 How much gas is used in rather miserable interior? (5)
13 Burglar's ugly kisser shortened (5)
15 A type of computer is used in treating heart conditions (9)
18 Very serious, the French diary (9)
19 Hollow in the head? (5)
21 Money one charges in Africa? (5)
23 Son Tom longed to be tolerated (9)
25 Former magazine racket? (9)
26 Flower of Oriel coming out (5)
27 Force ten gale, yet fine paradoxically (7)
28 Most impressive, like Brutus finally? (7)

DOWN
1 Local rules near wild Wales (3-4)
2 Pinter's minder? (9)
3 Hen always held in both hands (5)
4 Lyrical, like Gershwin's blue notes (9)
5 Fruit consumed in outskirts of Dallas (5)
6 Iris apt to suffer this pain in the neck (9)
7 Rod on which to write notes? (5)
8 Plans to entrap me in chess moves (7)
14 Girl from Braga – or the Nisa parts, possibly (9)
16 Which chapel on the field, would you say, uses this chant? (9)
17 Hour of tiller's local course? (9)
18 Old king carries car upside down in tiny boat (7)
20 Divine in new seats, as blue as can be! (7)
22 Angry brigand loses head (5)
23 Initiate street-painting (5)
24 New lad, in the same place, without rehearsal (2-3)

Solution to Puzzle No.8,063



Solution and winners of Puzzle No.8,052



B. Smith, Skelmorlie, Ayrshire; Mrs S. Argyle, Oxford; J.S. Bowman, Dovercourt, Essex; D.E. Brittenden, Westerham, Kent; G.A. Malton, Boreham, Essex; G. Ridley, Brighton, Sussex

Being incorrect with buxom hackettes

Michael Thompson-Noel

HAWKS & HANDSAWS

I LIVE in Notting Hill, where I often see a rat, a large and friendly rat – Rasta, I call him. For all I know there may be 20 or 30 rats involved, coming and going, performing their chores and tasks, but to me he is a composite, droll and disconnected. I imagine he lives on dope.

My affection for Rasta the rat is not shared by Miss Lee, my executive assistant, a Yorkshirewoman and a Thatcherite. Whenever I say I have seen Rasta she flies into a rage and telephones Westminster City Council, demanding to speak to the rat-catcher. Westminster City Council lives in awe of Miss Lee, and immediately sends a rodent officer (or operator, or operative) who peers down manholes and leaves bits of cheese that he and the other rodent officers have soaked in poison. *But they never catch Rasta.*

Quite by chance, I discovered this week that it was Westminster City Council, back in 1944, that first started calling its rat-catchers rodent officers – a feat for which it gets a star mention in *The Politically Correct Phrasebook* by Nigel Rees, which Bloomsbury has just published (£12.99).

Until I read this book I had assumed, lackadaisically, that PC and its *terminology were as* doomed as they are execrable – an American invention that would shortly wither and die, so long as people like me continued to use vigorous words vigorously.

Here, for example, are some words and phrases I use often which are now judged to be politically incorrect: knacker, subnormal, menopause, victim of, unemployed, vagrant, sunset years, spinster, stout, mature woman, Christmas, jungle, human, history, homosexual, hackette, handicapped, fat, buxom, fleshy, plump, obese, cleaning lady, dwarf, bonny, broke, burglar and boring.

Boring? To be politically correct, we should say differently interesting.

Fat? Stout? Plump? Buxom? Fleshy? Obese? According to Nigel Rees: "Differently *sized* appears to be the front-running substitute at the moment, with *differently weighted* somewhat to the rear. Or you can talk about a *person with an alternative body image.*"

Spinster? Use, rather, *single-by-choice*. An old maid is now a *single-by-choice senior citizen.*

Jungle? It has derogatory associations. Use *tropical rain forest.*

Hackette? The addition of "-ette" to any standard (male) word is now far beyond the pale. So out go suffragette, hackette, bachelorette and, especially, says Rees, majorette. Yet I am fond of majorette. It is a word with resonance. I am even fonder of hackette. To put things bluntly, hackette is not a word I plan to stop using. It is a beautiful word that means female journalist, and *is apposite* in the extreme.

The reason I say this is that all the female journalists I know wear exceedingly short skirts, fishnet stockings, down-at-heel boots and orange make-up. They are strident and manipulative. Many of them bite their nails. Their hair can be quite greasy. They smoke and they curse and often, at lunchtime – I have seen this with my own eyes – they consume erotically-named cocktails and £30 bottles of wine while thrusting their blowsy charms on *anyone who* will listen to them. They are . . . hackettes, and ever more shall be so.

Nor do I ever plan to stop using beautiful, brassy words like fat, buxom, fleshy, vagrant, spinster, human, burglar, broke or boring.

Nigel Rees explains that many PC coinages are but jocular inventions, including the *-challenged* suffix designed to portray personal disadvantages in a more kindly light – *ethnically challenged* for Jewish, *morally challenged* for criminal, *metabolically challenged* for dead. And he picks his way with care in explaining how PC in its weirder, more threatening forms should be distinguished from efforts to find appropriate and inoffensive expressions – justified euphemisms – for describing, for example, people with physical or mental disabilities ("Down's syndrome" for "mongolism").

But he warns us of the consequences when everyday realities are dressed up over-tastefully and ambiguously so as to pander to the squeamish. And he laments the tendency of the PC movement to replace direct and colourful words with dull, lifeless ones.

Next week I plan to use the word hackette 90 times a day. And fat. And fleshy. And buxom. Buxom buxom buxom buxom buxom. I also quite like wop.

Private View/**Christian Tyler**

A German doctor at Britain's bedside

Robert Bischof spent years knocking the stuffing out of British industry. Now he thinks it can only be saved by a German cure – applied by the Labour party

ROBERT Bischof is a German manager who has spent half his life destroying Britain's manufacturing industry. Now he wants to rebuild it.

He has taken his ideas to John Smith, leader of the Labour Party. Why Labour?

"In the UK, it's a social stigma for businessmen to vote Labour – but *that's Labour's fault. In my country*, it's quite different. I don't support them out of political allegiance but because of economic necessity. I feel they are close to changing the British system to something that can work."

The Conservative government could not do it, Bischof said, even if John Major wanted to, because it had got itself stuck in an ideological cul-de-sac. "For example, 'trickle-down' has turned out to be absolute rubbish. Aspirations for getting richer are so limitless that if the rich can keep it to themselves they will never let anything trickle down."

So Bischof has decided that industry's last hope lies with Labour: provided, that is, the Labour party can be persuaded to give up class war, throw away its cloth cap, look attractive to the middle classes, embrace regulated capitalism and strive for a social market consensus along German lines that will put an end to the stop-go, politicised management of the economy for ever.

His proposal is revolutionary but not new: it was much canvassed in the 1970s. What is new, says Bischof, is the urgency. Like the car on the roller-coaster, the British economy emerges weaker and slower from each recessionary plunge. And with President Clinton in the White House and Labour chewing over its fourth general election defeat in a row, he thinks the time for the Big Idea has arrived.

Bischof has two excuses for his alien presumption. The first is that he has lived and worked in England for 25 years, regards it as home and wants to go on liking his adoptive country.

The second is that he knows only too well how easy it is for a foreign company entering the boom-and-bust British market to cut the native opposition to shreds. He has done it himself.

In 1967, he was sent by Jungheinrich, a Hamburg manufacturer of fork-lift trucks, to start up an import and service network in the UK. In those days, 90 per cent of trucks sold in Britain were made in Britain. Today, 90 per cent are *imported, or made in the UK by* foreign-owned companies.

"Why does it happen?" Bischof said. "We (he means 'we British') are very innovative. When my kids were playing with computers, my brother's kids in Germany could still not even spell the word."

His Manchester company became the biggest of Jungheinrich's European offshoots. "It's not because our managers are cleverer than those in British companies," he said. "The difference is they take a long-term view and their system is transportable.

"British managers have got one arm tied behind their back, one leg in plaster and a blindfold on. They have been given a tough time, which is why I say it was a relative walkover to destroy their manufacturing base. We've got to get a better system."

Bischof agrees with Germany's president, Richard von Weizsäcker, that it is not people but the system that determines the success or failure of an economy.

"Under communism, for example, you could work yourself to death and get nowhere. That is very true for Britain, too.

"You don't have to be a socialist to want what I am proposing: you just have to be intelligent. As Sir Ralf Dahrendorf (warden of St Antony's College, Oxford) says: these days you can't be anything *but* a social democrat. These ups and downs are destroying the social fabric – *resources, capital, everything.*"

Bischof has other credentials to buttress his opinions: he is one of the 100 managers chosen by the German chancellor to sort out the state conglomerates of former East Germany.

Working from what used to be Goering's air ministry in Berlin, *Bischof has for the last* two years been finding western buyers for the viable bits of a big engineering combine. Four thousand workers have been kept; the other 14,000 are being re-trained.

Bischof is no demagogue. He speaks quietly, even inaudibly, interposing an interrogative *Ja?* every couple of sentences.

Occasionally, he lets loose. For example, he says Anthony Barber and Nigel Lawson, the Tory chancellors responsible for the two big artificial booms of the post-war period, should be awarded the Iron Cross for services to German exports.

He has the modest Majoresque appearance you might expect from his background: economics at Hamburg University under Prof Karl Schiller, later West Germany's economics and finance minister, an apprenticeship in banking (apprenticeships are still normal in Germany), and a first job as assistant to the managing director of Jungheinrich.

His father, a master baker, spent time in Doncaster and Northern Ireland as a prisoner of war. The two sons were born in their grandfather's house on the Baltic island of Rügen in former East Germany *where the family had retreated* from the British bombing raids over Hamburg.

It is Germany's post-war example that Bischof would like Britain now belatedly to follow. During the post-war liberal-capitalist era of which Ludwig Erhard was the chief architect, the leftwing Social Democratic Party (SPD) lost election after election.

In 1959 it moved to the centre, changed its constitution, became a people's party instead of a working-class party and was rewarded with office when Erhard's boiler ran out of steam.

The British Labour party must break its historical ties with the unions, Bischof said, and political parties must be publicly funded. It must tear up its class roots and reform the welfare state along economic, not ideological, lines. "Sometimes ideas are good for the heart but also make economic sense. We are not just do-gooders."

Governments should protect and regulate both sides of the market equally. "For me, Mickey Mouse in Fleet Street being paid, although he never turned up, is as vulgar and horrible as a 35 per cent APR (annual percentage rate) on hire purchase. Both are totally ludi*crous, and would be* impossible in a well-structured system."

What would a well-structured system look like?

Bischof said Britain should stop trying to compete with low-wage, developing countries. Labour *should be more expensive, not less,* to encourage investment and quality output. It should be harder, not easier, to fire workers, and mass redundancy should cease to be the cheapest option. Unemployment benefit should be seen as an insurance award and raised, not cut, so that demand did not collapse during recessions.

Top executives, the new Brahmin caste, should be statutorily accountable to supervisory boards which would recognise that employees, as well as shareholders, have rights. Directors would have to negotiate their pay and justify their plans.

"Takeovers are far too easy in Britain. I would force companies to make a five-year business plan, with investment, research and development, product development, export quotas, and not just let them get away with milking and destroying assets."

As a further discouragement to short-termism, the pension funds and life companies might, as in Germany, have their equity portfolios restricted and be barred from buying the shares of highly-geared companies. Government reliance on the interest rate – a tax on industry and the less well-off – was "a big mistake" and should be abandoned *as a means of controlling demand.*

I asked Bischof whether people would listen to a German telling them what to do.

"I think it's half and half. It's not possible to go through the official channels of the Confederation of British Industry and so forth. (He called the CBI "intellectual dwarfs".) On the other hand, people listen because I have done it, in a way. I have been successful in Britain. I helped to destroy part of this industry that I worked in. I've done all the damage to the British balance of payments.

"But I want to live here. I like living in Britain. My kids want to make their lives here, and I am very worried. This is a super country which is slowly and surely going down the chute.

"Sometimes people say to me: 'If you're not satisfied, why don't you push off and live somewhere else?' But I live here because I like it. I sometimes think I'm the only one who does."

Why do you prefer it to Germany?

"I think it's the degree of personal freedom one has in the UK. I like the people, maybe particularly here in the north.

"And the whole social environment – though I do realise one lives in a slightly false world if one lives in a well-off suburb such as mine."

But isn't it precisely what you like about England which is at the root of the problem? Doesn't this easy-going nature, this dislike of order and regulation, make the kind of reform you're proposing *impossible?*

"That's a very good point. But I don't think you have to give up personal freedom to have a certain amount of order in public life. Built into capitalism, into democracy and the free market concept is a very *self-destructive element.* We must make sure our values don't get destroyed by excessive freedom."

Britons, said Bischof, are innovative, lateral-thinking and creative. They have to be. That can also make them chaotic. Germans, on the other hand, are too programmed, too bureaucratic, and have a propensity to run round like headless chickens when things begin to go wrong – as they are now beginning to do.

"Of course Germany has made mistakes – the system is too complicated, and excessively social (he means welfare-minded). We (the British, that is) must keep our strengths and at the same time find a good framework. I did that in my own company.

"It's typically German to do things 150 per cent – history has shown us that not a few times. But I don't think we're in danger of getting anywhere near 150 per cent here. If we could just get to 75 or 80 per cent, that would be marvellous."

Truth of the Matter

A mid-winter pilgrimage

Nigel Spivey pays his respects to Athens, the city which gave birth to democracy

MAKING A pilgrimage to Athens in midwinter has much to recommend it. Strong winds pummel at the city's miasma of smog, and temperatures are rarely more than a little fresh. Tavernas put out tables on the pavement, and women are in furs for status, not insulation. But it is timely for more than considerations of comfort. Athens is celebrating a birth. The city invites you to pay your respects to its most nimble and long-lived offspring: democracy, born here 2,500 years ago.

As one might expect, given the recent collapse of walls and iron curtains, much is being made of the anniversary, with scholars and politicians joining all sorts of jamborees. I made my own visit last month, for a conference organised by the American School at Athens, called "The Archaeology of Democracy".

To be a pilgrim to democracy's birthplace is more satisfying than the history books might imply. Relatively little is known about the supposed progenitor of Athenian democracy, Kleisthenes. No statues exist to him. And rightly so, perhaps.

Such frugal sources as we possess regarding him suggest that he is a wheeler-dealer: not a man of the people, but an aristocrat seeking to upstage rivals by engaging popular support. Kleisthenes is credited with a series of manoeuvres during 508 and 507 BC which included a decimal system of voting districts (designed to reflect the interests of rural as well as urban areas), and a five-hundred strong council elected by those districts. Whatever Kleisthenes himself called these manoeuvres, later Greek commentators were in no doubt: it was the beginning of demokratia, literally "people-power".

So much for Kleisthenes. The relics of the political system which was rapidly established in his wake are, however, more substantial than his historical presence. For more than 60 years American archaeologists have been excavating within the hub of ancient Athens, the Agora. To translate that as "the marketplace" understates its function in the topography of democratic Athens. It was the principal point of traffic, negotiation and general hob-nobbing in the city: it was also host to most of the monuments and institutions one would now describe as "civic".

Democracy in classical Athens never sold itself short. The Athenians were proud of it: they made a fetish and a cult of it. Democracy was still infantile when Athenian citizens went to defend it against invading Persians. The Battle of Marathon in 490 BC, when the Persian hordes were held off Greece by a small and mainly Athenian detachment, has been described (by John Stuart Mill) as a more important event in British history than the Battle of Hastings.

Had the Athenians lost – so this logic goes – we all might now be subjects of Saddam Hussein or some other oriental tyrant. The archaeology of Athenian democracy is presented by its American excavators with a particular sense of communion. Thomas Jefferson, we learn, had classical Athens uppermost as the ideal of his own political activity.

And Americans believe that their version of democracy approximates more closely to the Greek ideal than *most others.*

The American excavations have revealed not only the foundations of the various council buildings and meeting places in the Agora. Much of the minutiae of democratic protocol has also emerged. Ballot boxes, voting tokens, little water-clocks for timing speeches: these testify to the scrupulous building-in of safety devices to protect the system from *corruption.*

There was always the fear that someone might aggregate too much power for himself: hence the process of ostracism, introduced very soon after Kleisthenes, which served as an annual opportunity for the citizens to banish anyone looking too big for their boots.

It was a quaint process: names were inscribed on old shards of pottery, and by a simple majority the person with most shards (ostraka) went into exile from the city and its hinterland for ten years. And it worked simply: the popular assembly (the ekklesia) decided whether to hold an ostracism vote; that decided, so long as the basic quorum of 6,000 citizens voted, the most unpopular nomination departed Athens within ten days. After his exile, he returned to take up full citizenship.

Examples of the inscribed shards survive by the thousand: you see a nice range of them in the Agora *Museum.*

One can hardly help thinking of modern equivalents for some of these processes. So it might be convenient to see ostracism as simply replaced with ordeal by media: in cases like that of David Mellor, the "popular" press certainly justified its campaign as being in "the public interest".

But *wandering about the ruins* of Athens, it is not so much the familiarity of democracy as its peculiarity that strikes one. Take the site of the popular assembly, the Pnyx: a terraced hillside where the popular assembly met. True, it could only accommodate 6,000 citizens – roughly one fifth of the voting population – but this is still an astonishing proportion of voters actually involved in decison-making.

Classical Athens: Thomas Jefferson found his political ideal there

The more one ponders the natural habitat of these ancient political animals, the more one realises the extent of the gulf between their concept of democracy and our own.

Apart from the widespread indifference shown towards politics by the citizens of most modern democracies, there is the matter of time: unless you had slaves and other types excluded from politics (in ancient Athens, that included women and foreigners), you would hardly have time to get so involved in "people-power". And is a device like ostracism really akin to the strategic smut campaigns conducted by *newspapers reliant on* smut (political or otherwise) for their sales?

In this respect the ruins of Athens are misleading. The city was highly self-conscious about its image. The monuments of Athenian democracy *are easily confused with the monu*ments of Athenian imperialism, and become loosely re-employed as totems of order and stability. Thus the Greeks are using the Parthenon as a backdrop to their claim to the name of Macedonia; and IBM likes *to use the Parthenon as a symbol of* computers which never go wrong.

The totemic force of Athenian ruins lulls us into a sense of familiarity with their political system. We tend to overlook the fact that democracy was designed for a city-state, not a nation, nor even a community of nations. We tend to overlook the fact that it had an economic basis completely different from the basis of market forces.

Were it possible to recall Plato and *Aristotle* – neither of whom regarded democracy as anything like an ideal political arrangement – they would both be staggered that, 2,000 years on, the world still celebrates what Kleisthenes started. But that, in a sense, is beside the point.

The lineage claimed by modern democracy may be spurious, but it has been so widely believed by so many for so long that there is no use in disowning it. If classical Athenian *democracy is not a dura*ble institution, its mythology certainly is.